Ag Markets and Outlook

Seth Meyer

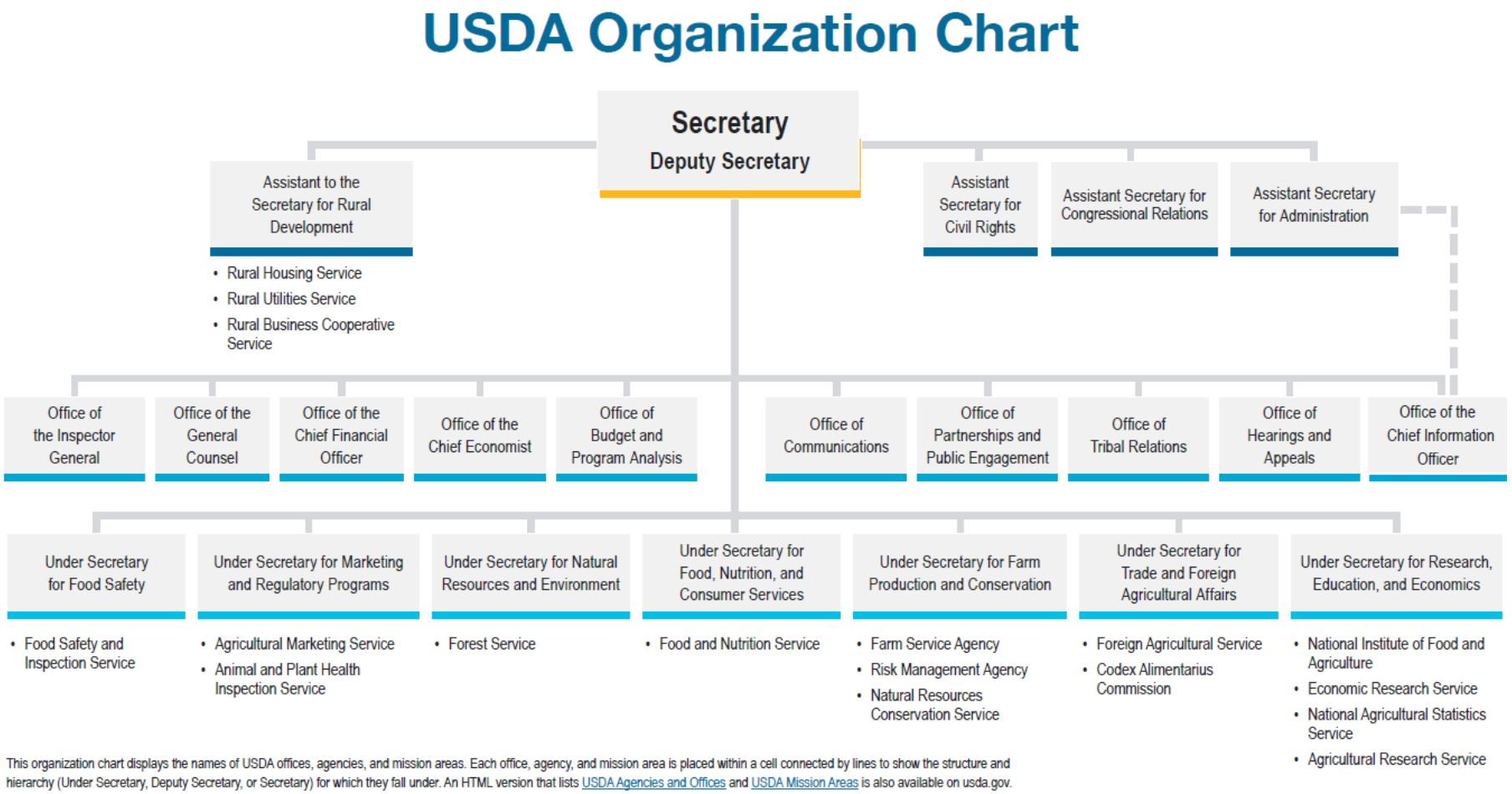
Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2022 Annual Meeting: Transforming Global Value Chains, December 11-13, 2022, Clearwater Beach, FL.

Ag Markets and Outlook

USA Rice

Seth Meyer
Chief Economist, USDA

The Office of the Chief Economist is Non-political



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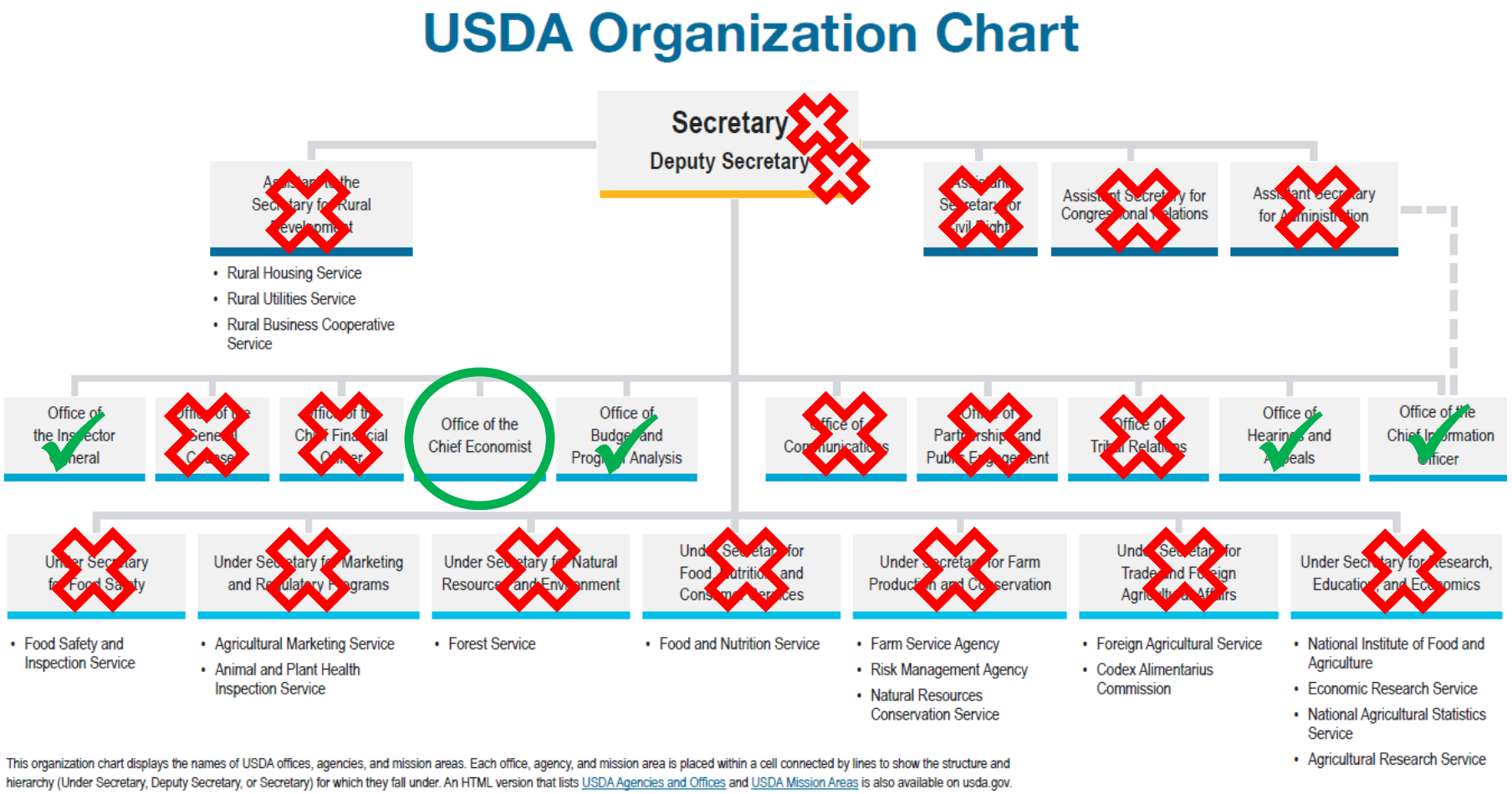


This organization chart displays the names of USDA offices, agencies, and mission areas. Each office, agency, and mission area is placed within a cell connected by lines to show the structure and hierarchy (Under Secretary, Deputy Secretary, or Secretary) for which they fall under. An HTML version that lists USDA Agencies and Offices and USDA Mission Areas is also available on usda.gov.

The Office of the Chief Economist has wide-ranging responsibilities:

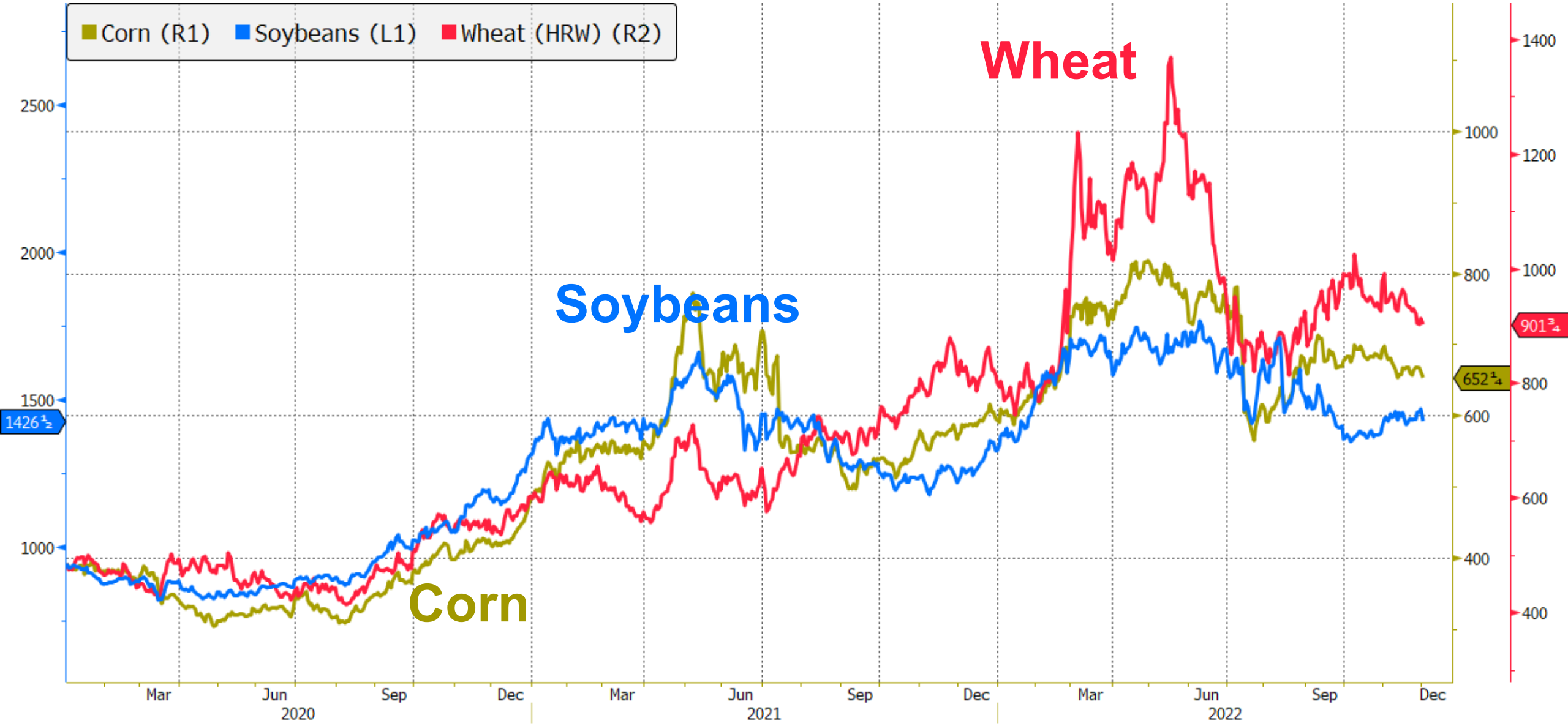
- OCE Immediate Office (IO)
  - Economic and policy analysis
  - Advise the Secretary on economic impacts of market developments, program changes, legislative proposals, trade initiatives, and agricultural labor issues
  - USDA sustainable development coordinator
  - USDA food loss and waste coordinator
- **World Agricultural Outlook Board (WAOB)**
  - Joint Ag Weather Facility (JAWF)

The Office of the Chief Economist has wide-ranging responsibilities (cont.):

- Office of Pest Management Policy (OPMP)
  - USDA's Biotech Coordinator
- Office of Energy and Environmental Policy (OEEP)
  - Climate Change Program Office
  - Office of Energy and New Uses
  - Office of Environmental Markets
- Office of Risk Assessment and Cost-Benefit Analysis (ORACBA)

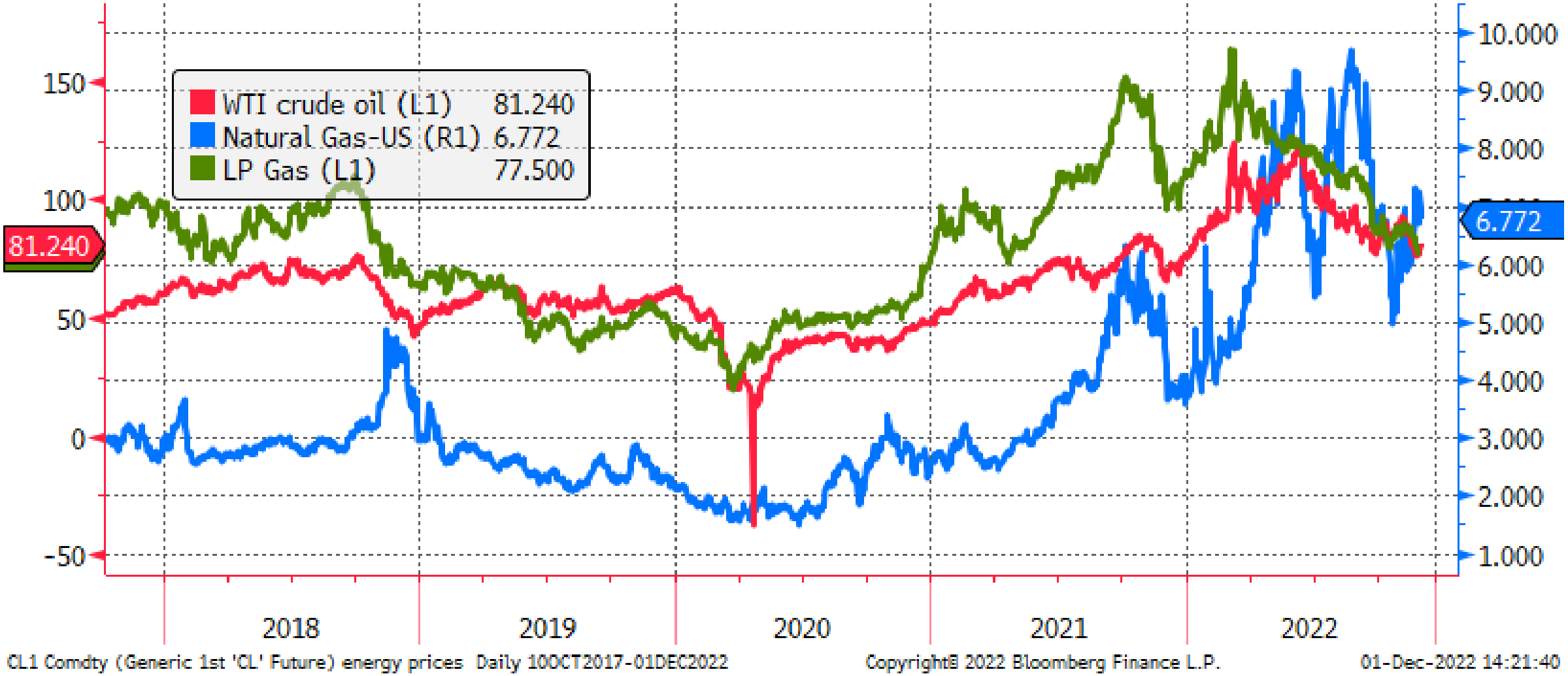
Current hot topics

- High and volatile commodity prices
- Grain production and trade from Russia and Ukraine (Grain corridor, export friction, etc)
- Evaluating the 'next' harvest, wherever that may be in the world
- Supply Chain disruptions river, rail, etc
- Concentration, Competition, Resiliency, *they are not the same thing.*
- Domestic and international Fertilizer markets
- Climate Smart Commodities program
- Crop Insurancde
- **Farm Bill**
- Food price inflation
- International food security
- Biofuels-Diesel Fuel
- Packers and Stockyards regulation
- Current policy proposals and their intersection with WTO
- The CCC (Commodity Credit Corporation).
- Trade with China
- Mexico GMO restrictions

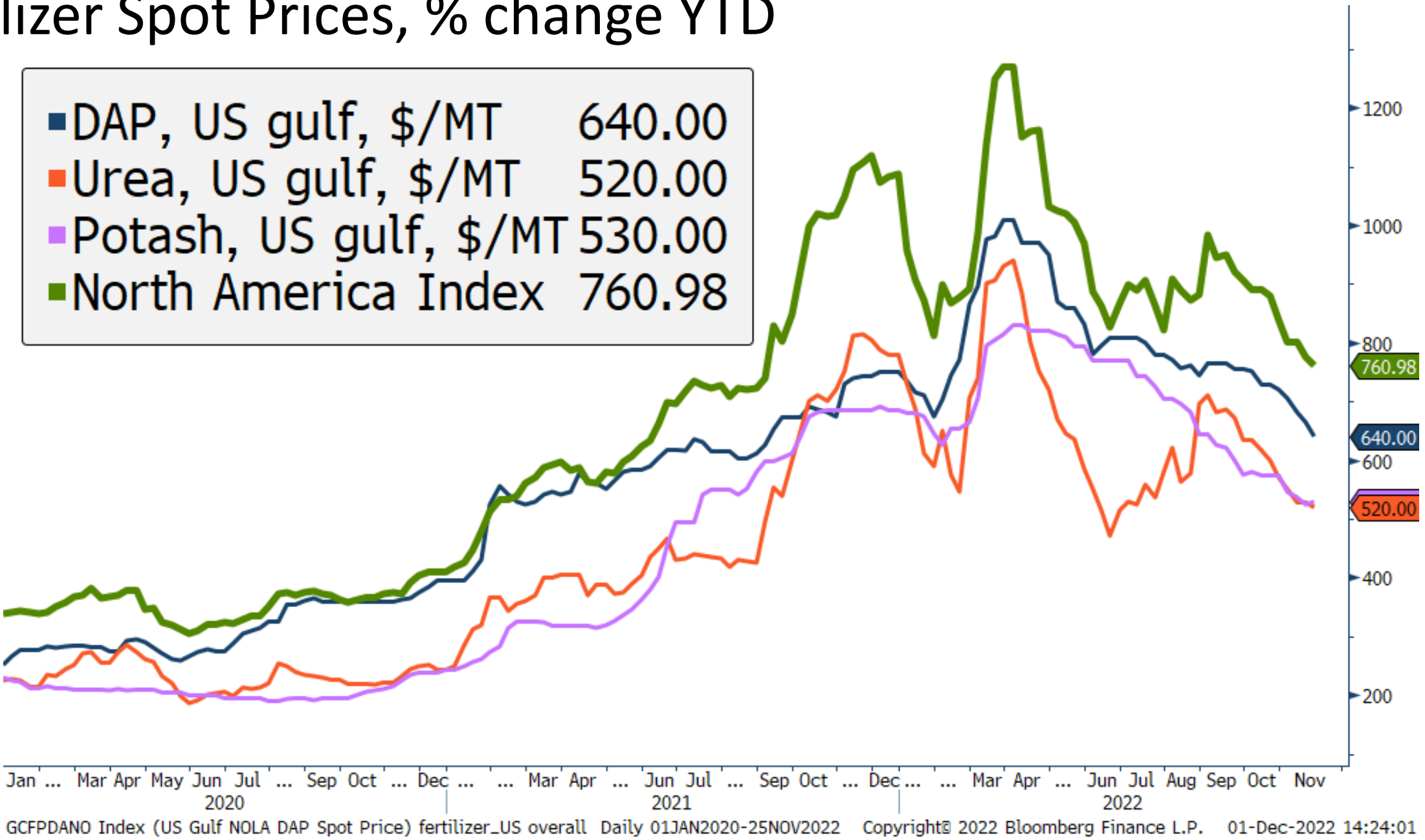


Data: Bloomberg

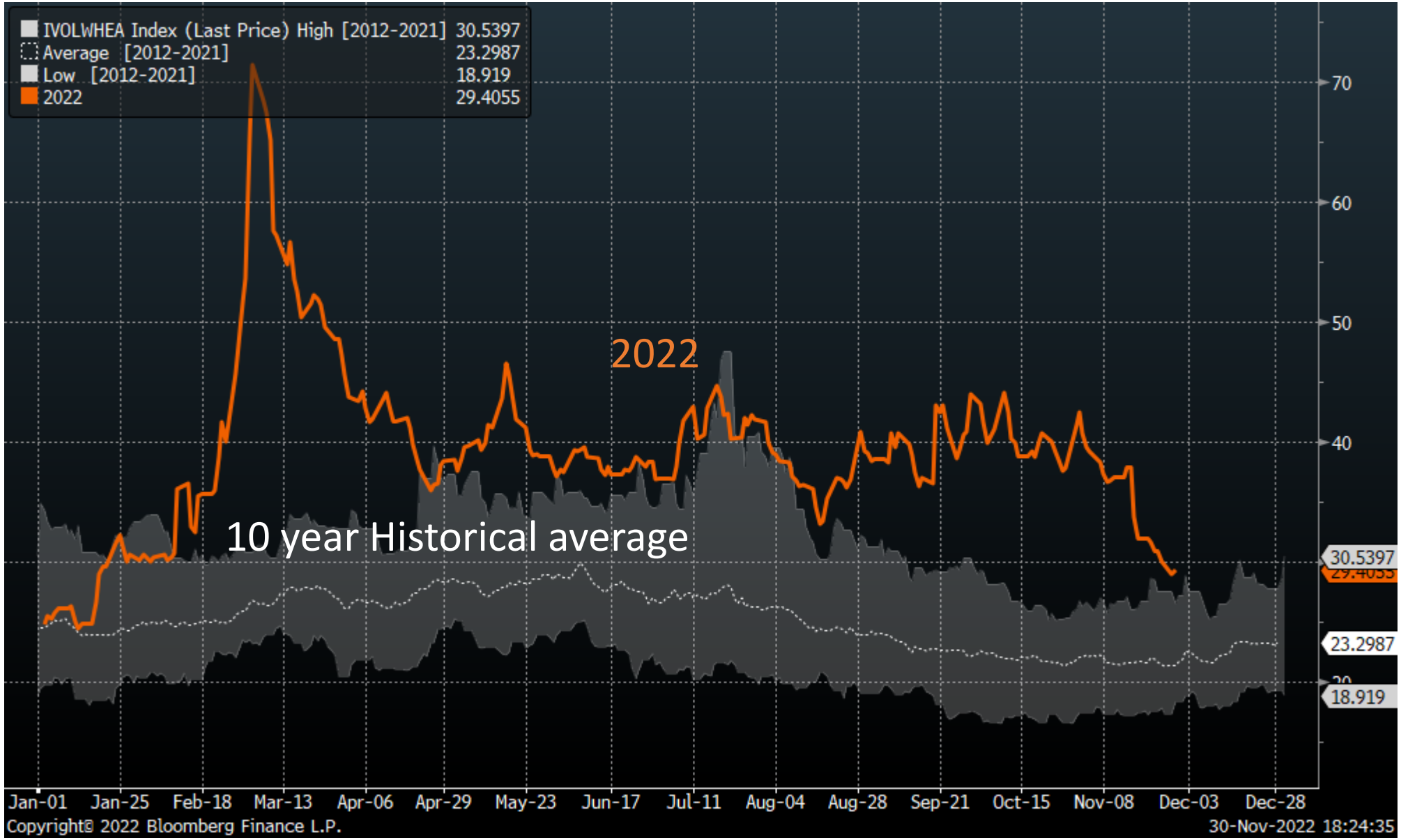
Energy prices



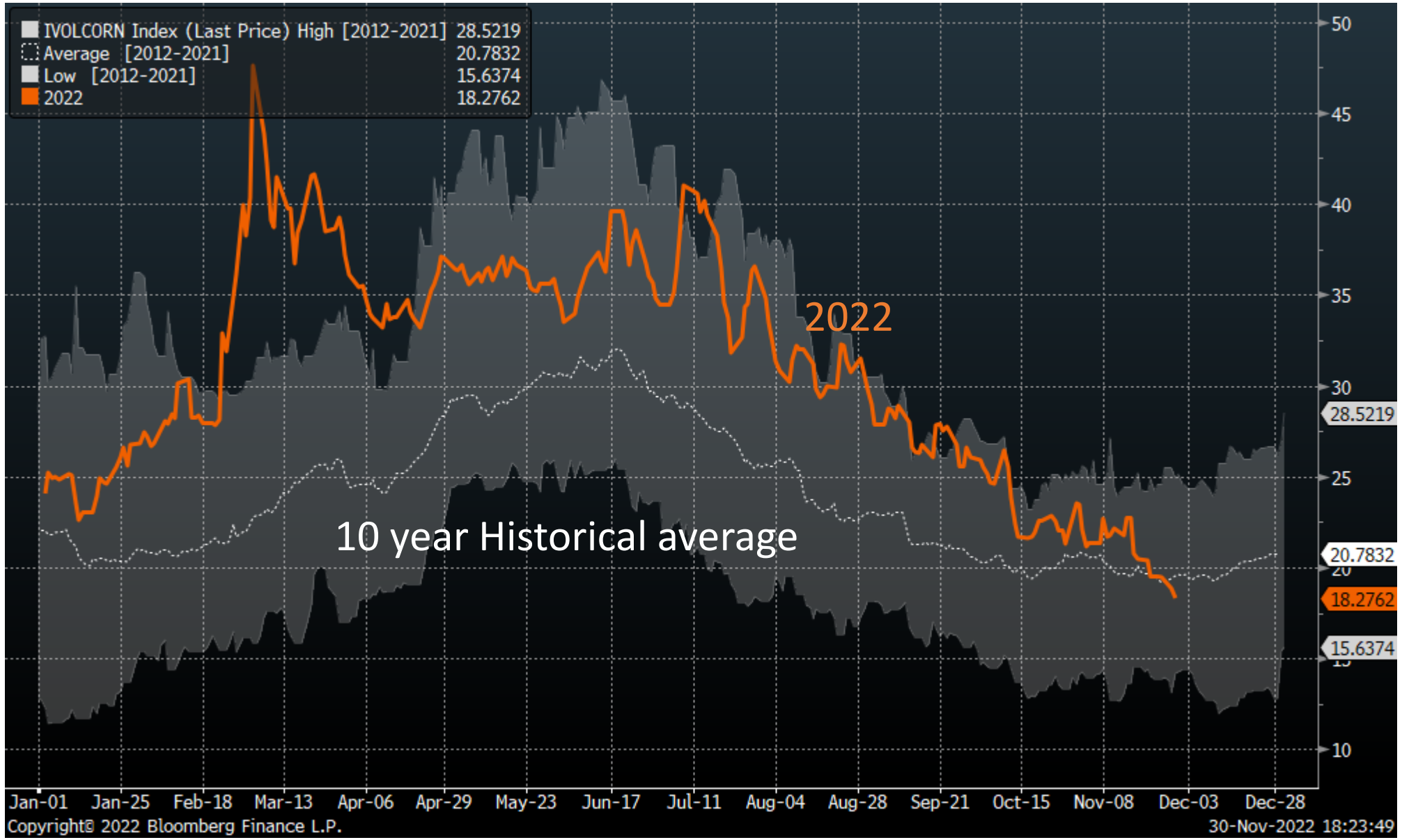
Fertilizer Spot Prices, % change YTD



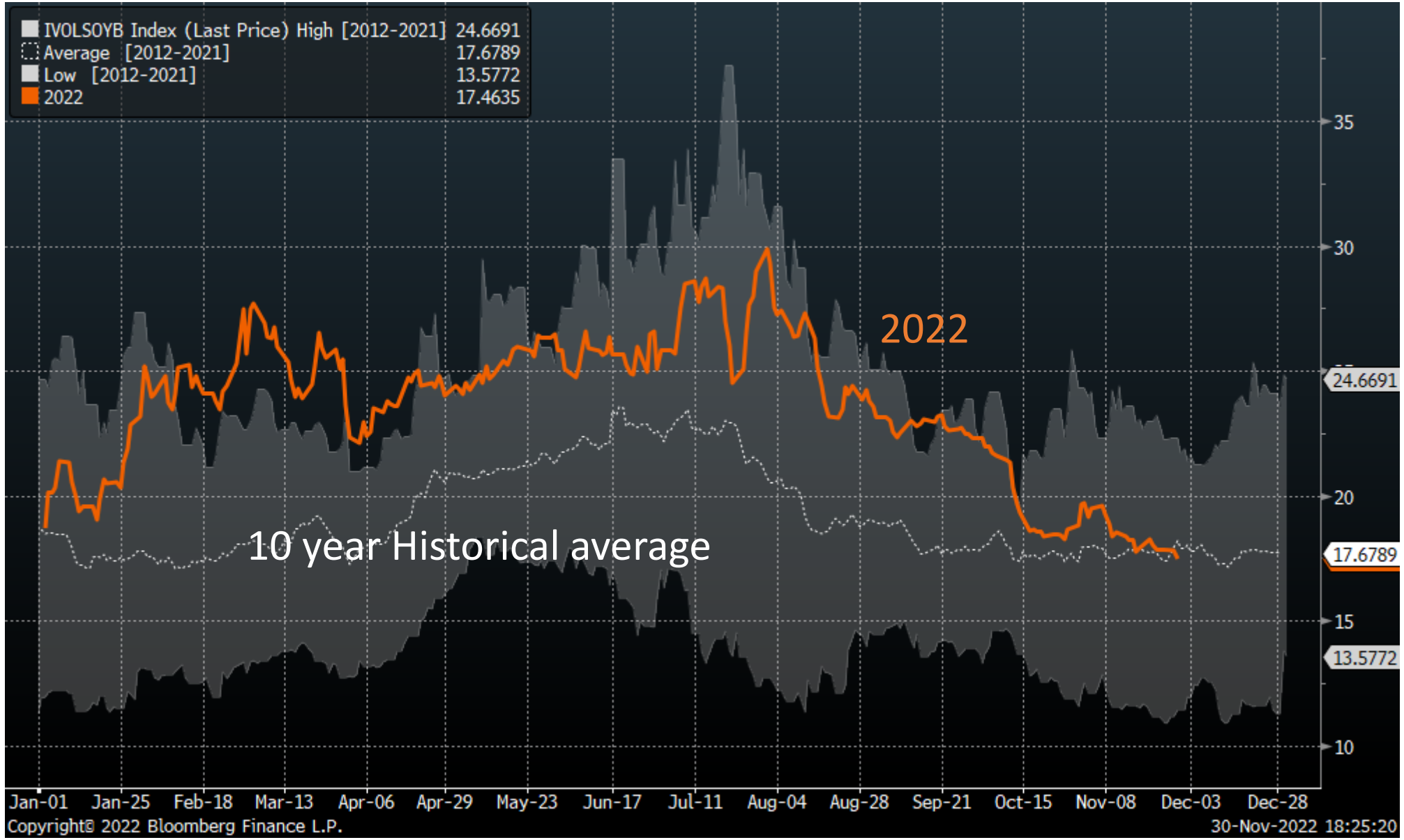
Wheat Implied Volatility



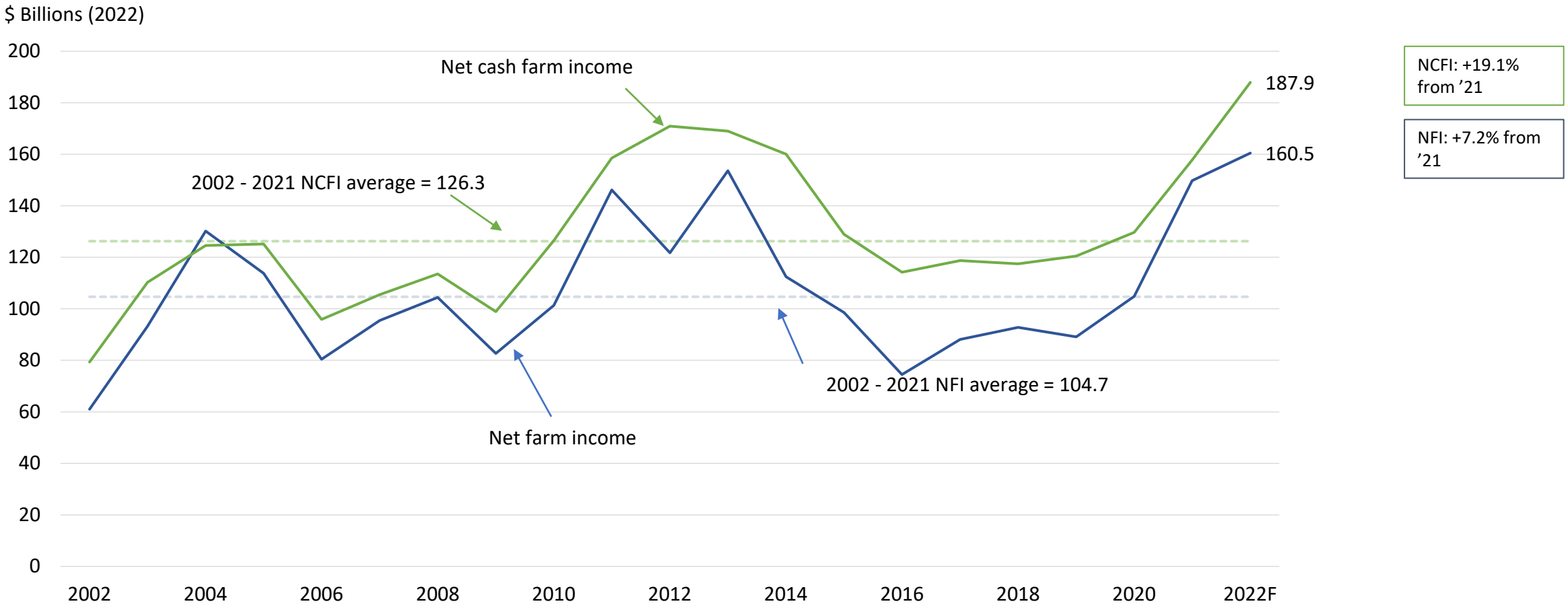
Corn Implied Volatility



Soybean Implied Volatility

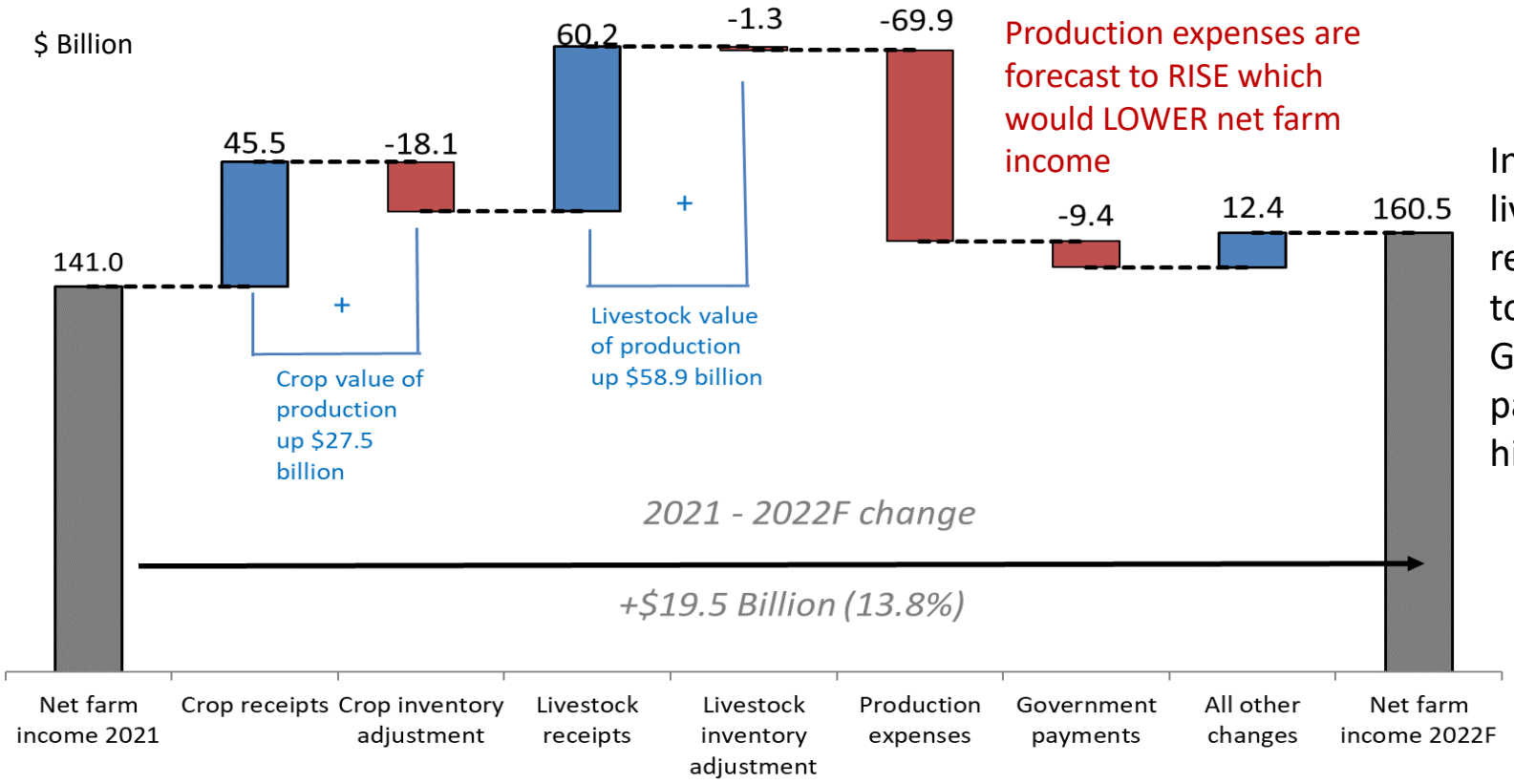


Farm sector profit forecasts at record highs in 2022



F= Forecast. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2022 by USDA, Economic Research Service.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of December 1, 2022.

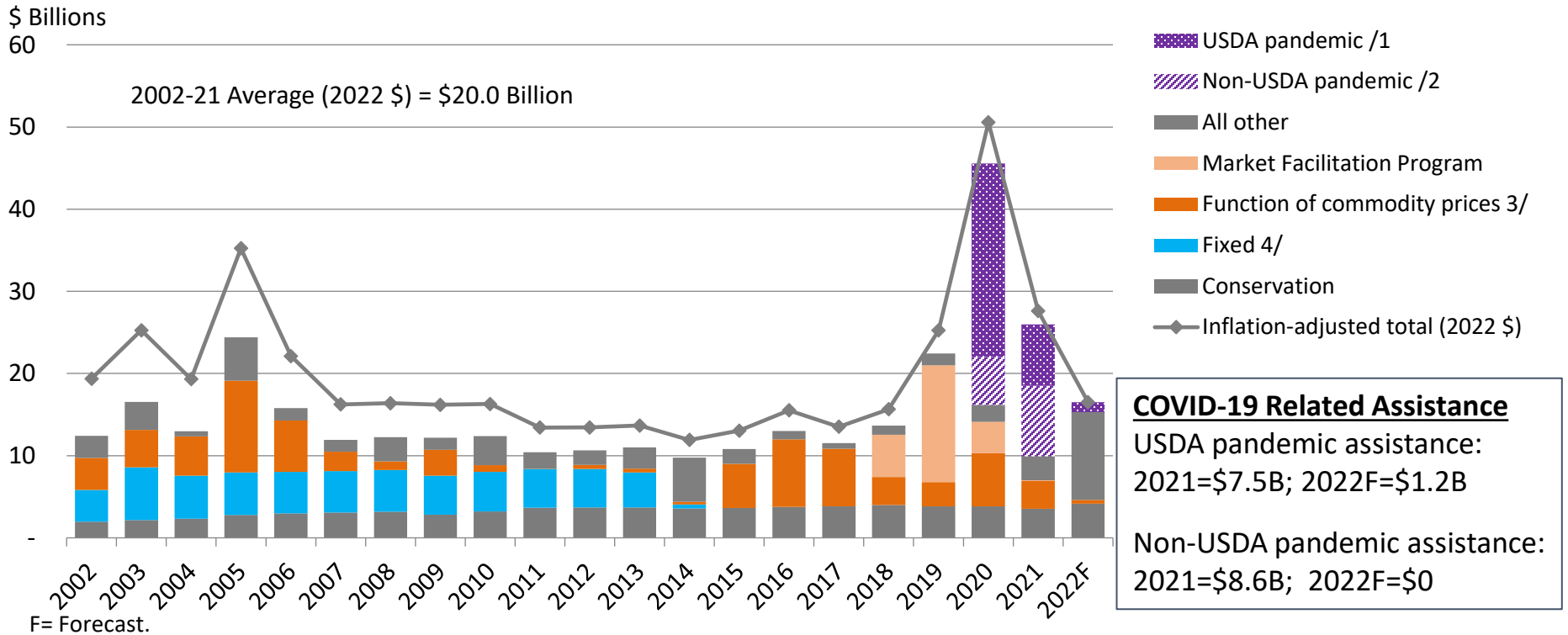
Large increases in receipts and expenses forecast for 2022



Increases in livestock and crop receipts expected to outweigh lower Government payments and higher expenses.

F= Forecast. Component changes may not sum to total because of rounding.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of December 1, 2022.

Total direct Government payments to farmers expected to decline in 2022



COVID-19 Related Assistance

USDA pandemic assistance:
2021=$7.5B; 2022F=$1.2B

Non-USDA pandemic assistance:
2021=$8.6B; 2022F=$0

F= Forecast.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes loans from the Small Business Adminstration's Paycheck Protection Program.

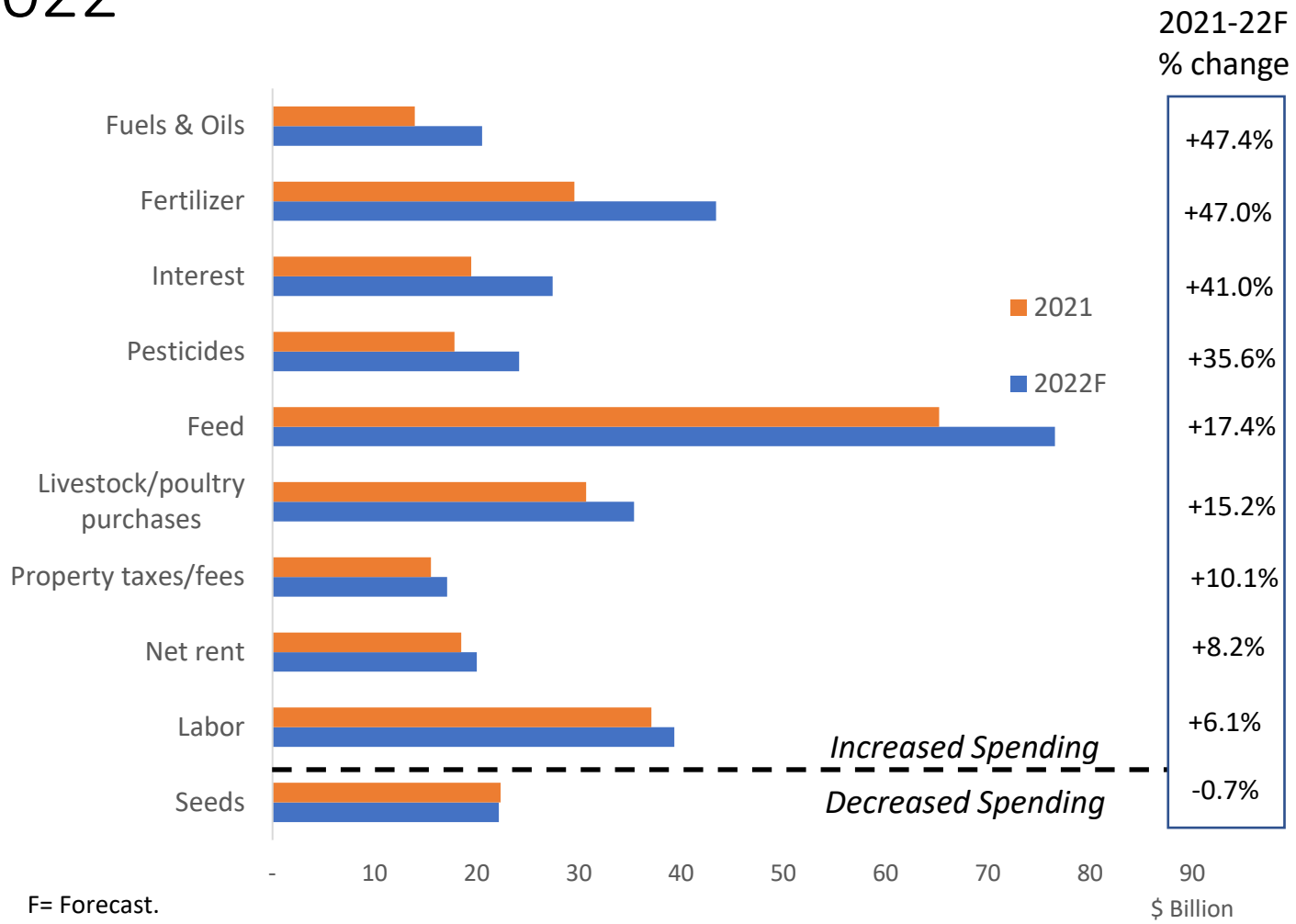
3/ Includes counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, certificate exchange gains , Price Loss Coverage (PLC) , Agriculture Risk Coverage (ARC), and dairy payments in which commodity payment rates vary with market prices.

4/ Fixed payments are through 2013 and cotton transition payments in 2014 whereby payment rates are fixed by legislation.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics (using data from FSA, NRCS, APHIS, CCC, SBA)

Data as of December 1, 2022.

Almost all individual expense items forecast to increase in 2022

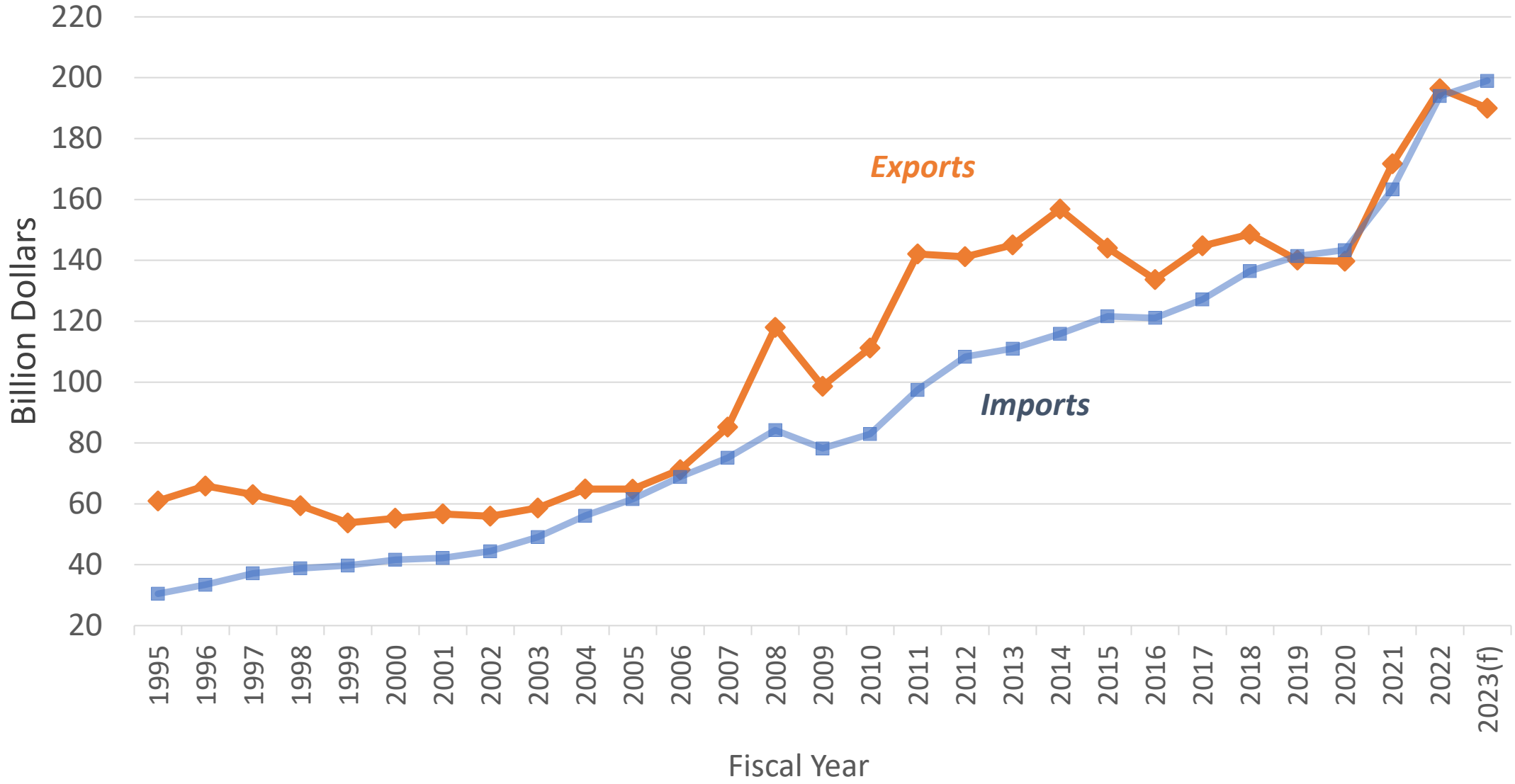


Fertilizer and feed are expected to see largest dollar increases.

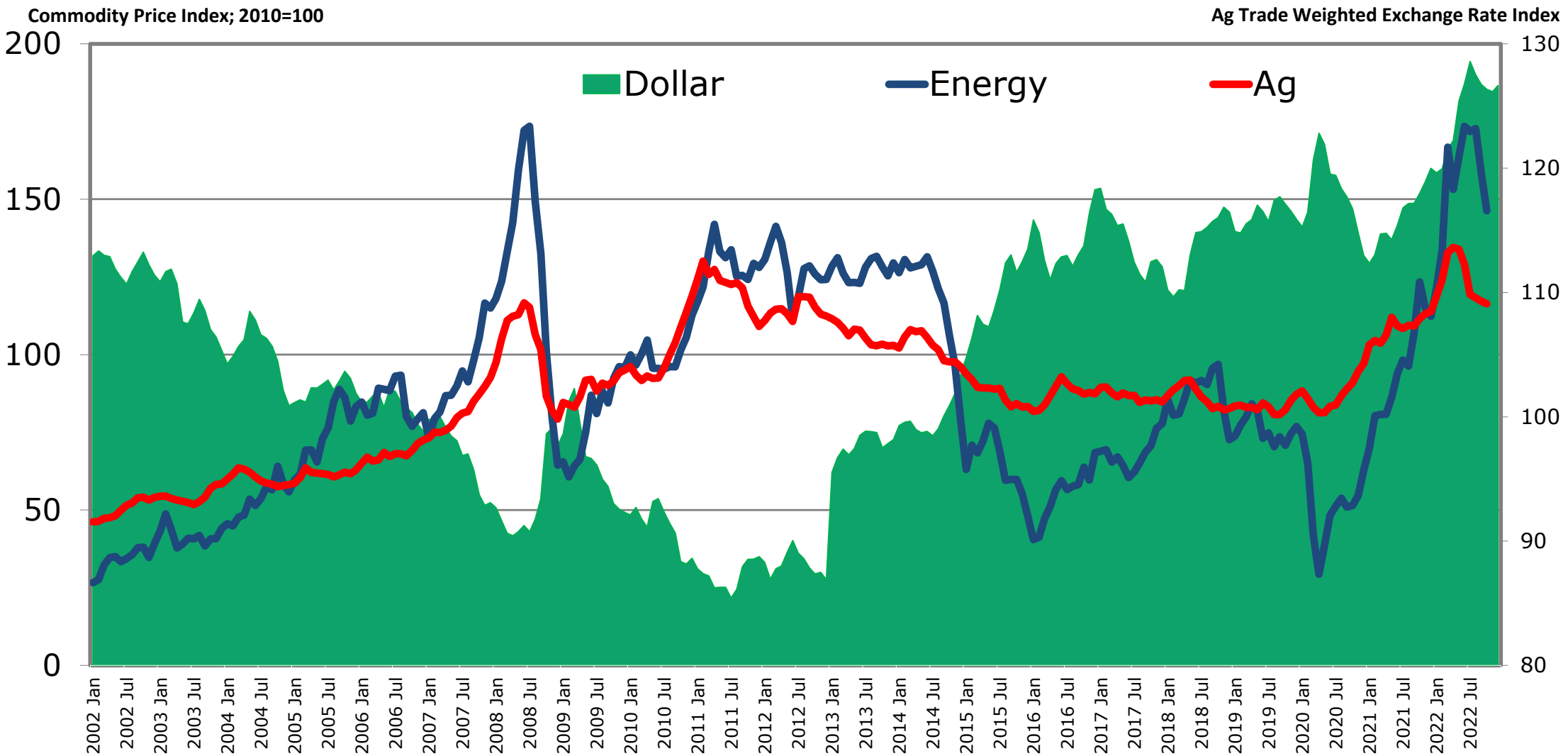
F= Forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of Decemeber1, 2022

U.S. Agricultural Trade Situation

Exports at $190.0 Billion; Imports at $199.0 Billion

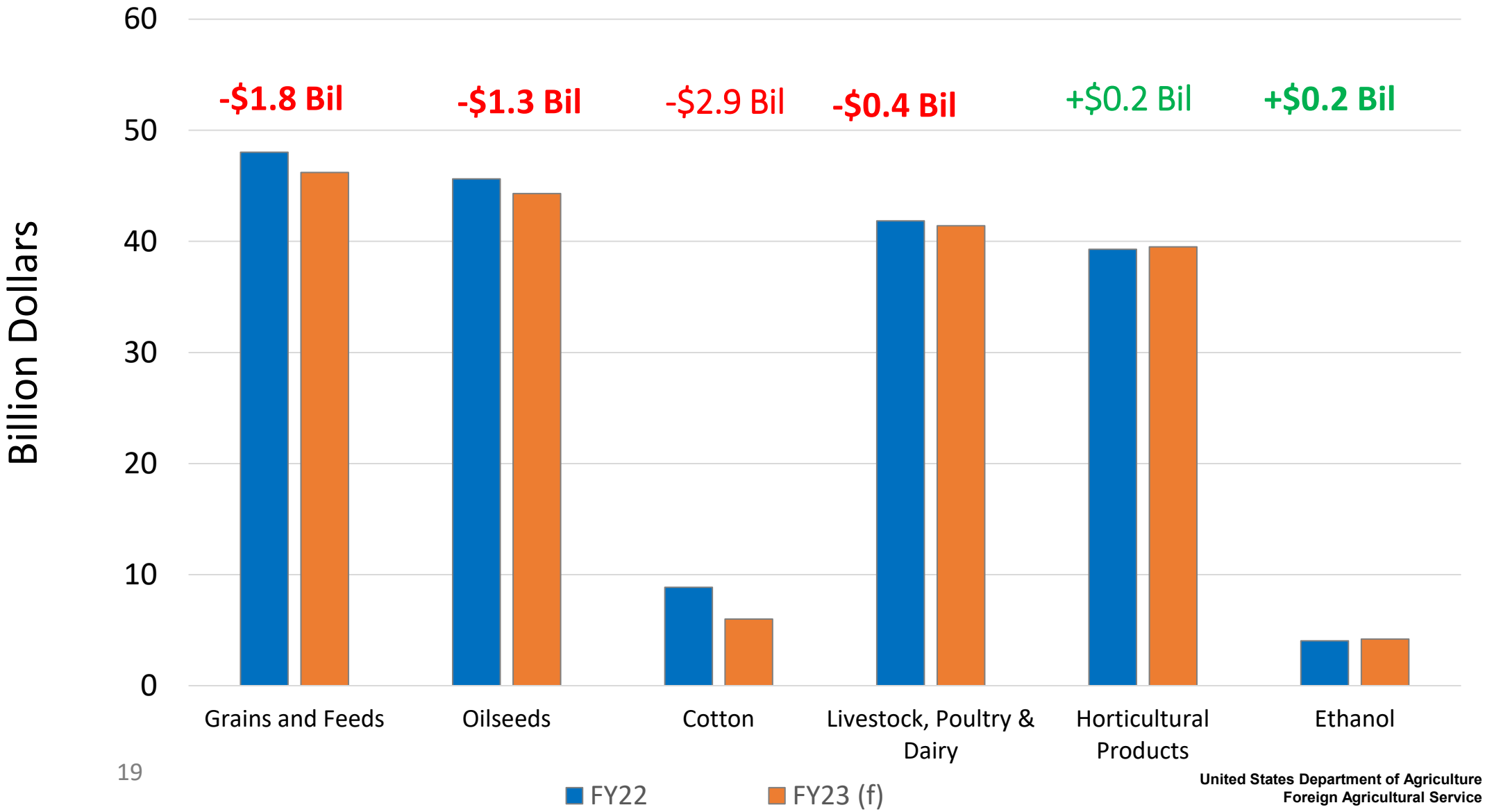


Strength of the Dollar and Commodity Prices



Source: Commodity Price Indices: World Bank; Exchange rate: USDA ERS

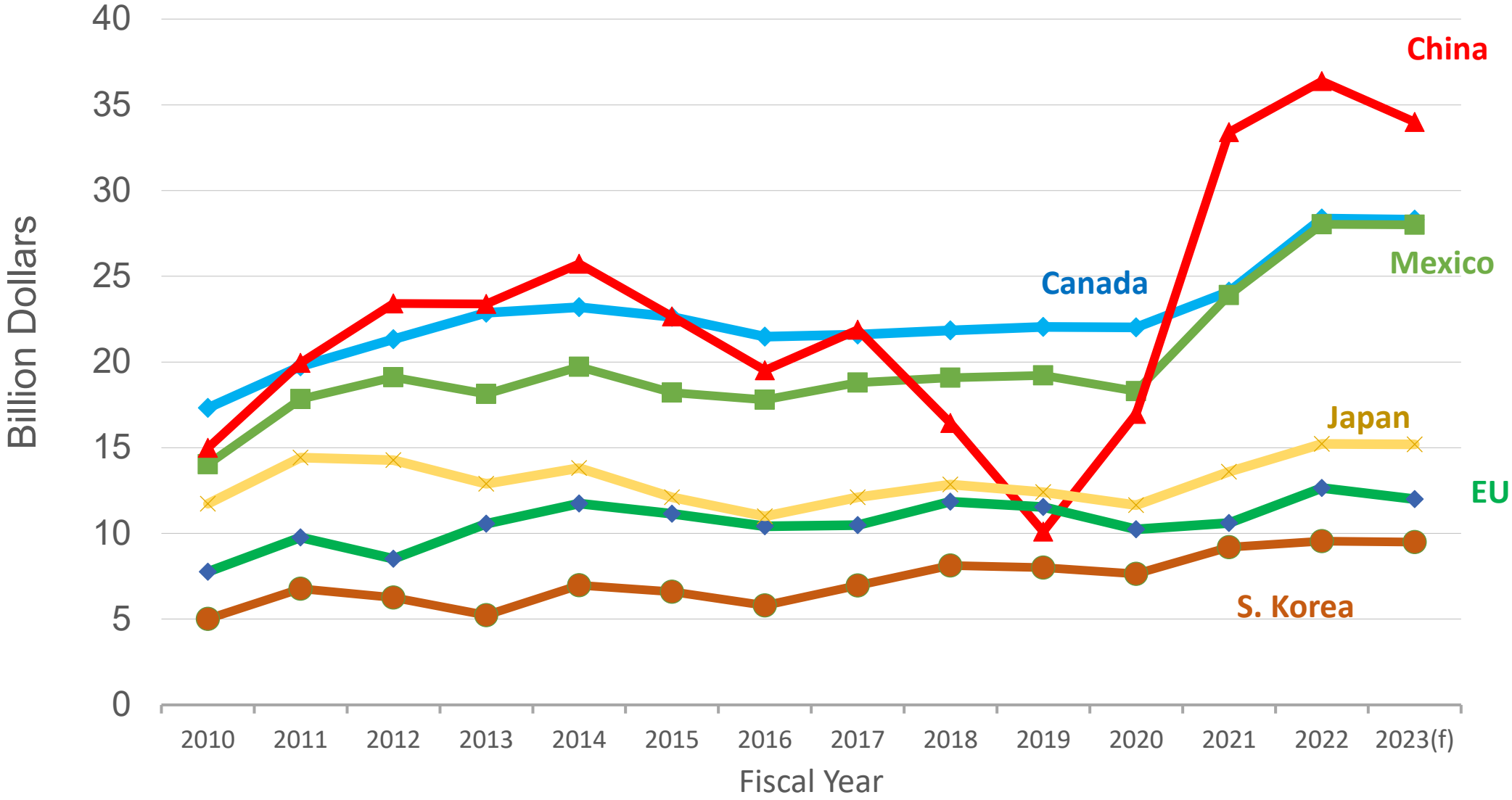
Ag Exports: FY 23 vs. FY 22



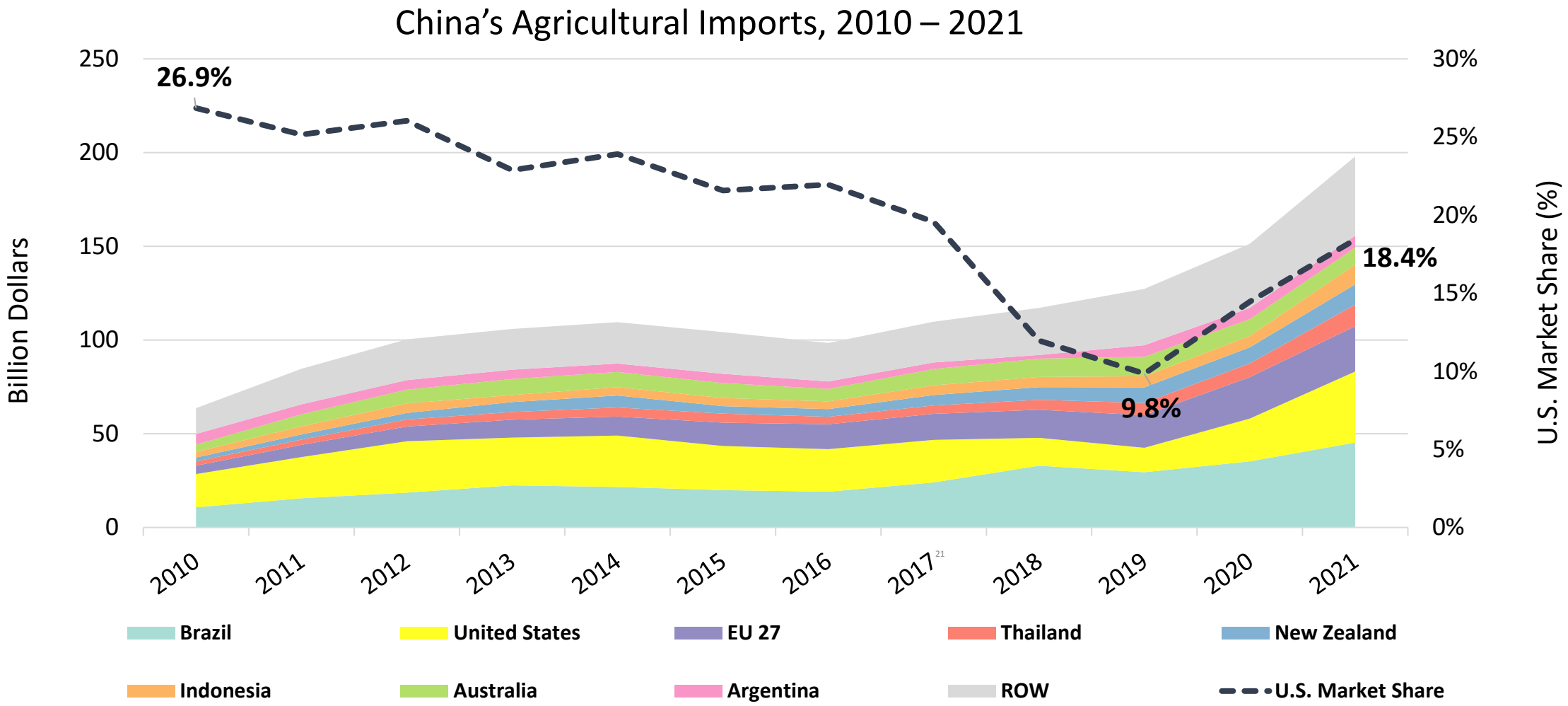
United States Department of Agriculture
Foreign Agricultural Service

USDA

Top U.S. Ag Markets

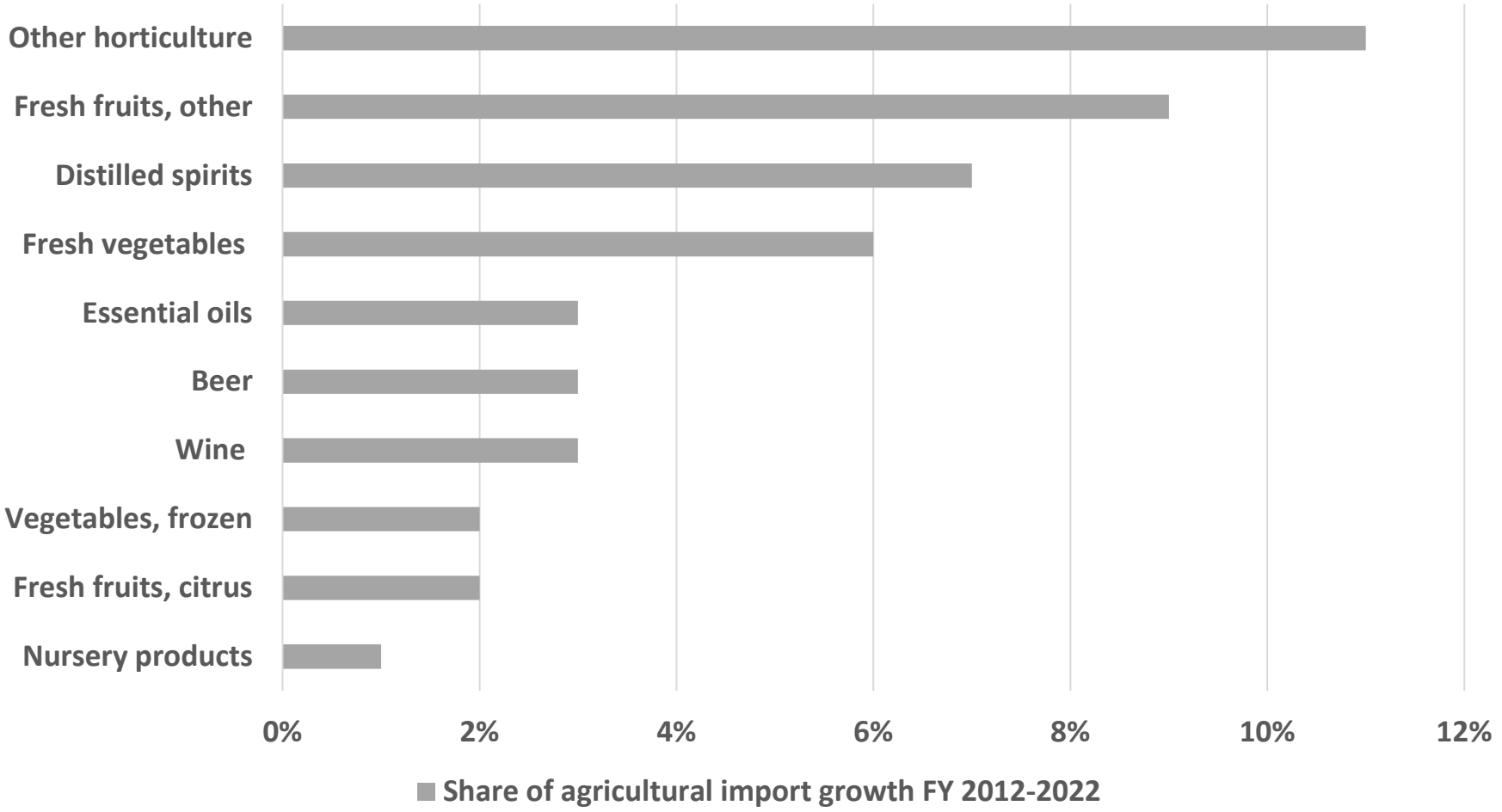


U.S. Market Share in China



Source: Trade Data Monitor LLC

Top contributors to import value growth



Indonesia Export Restrictions led to Un-milled Palm Fruit

Palm Oil Yields Decline Rapidly After Harvest

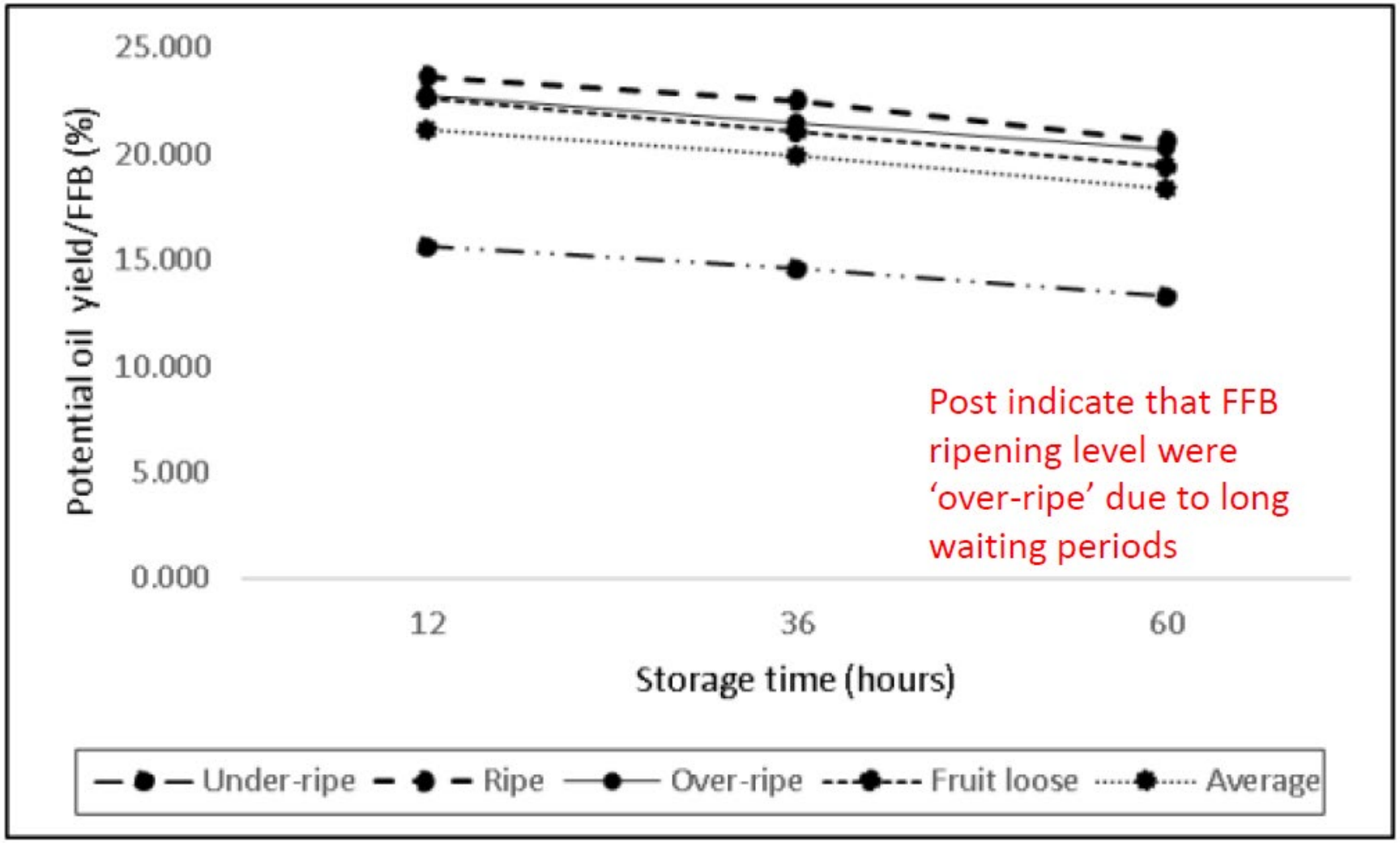
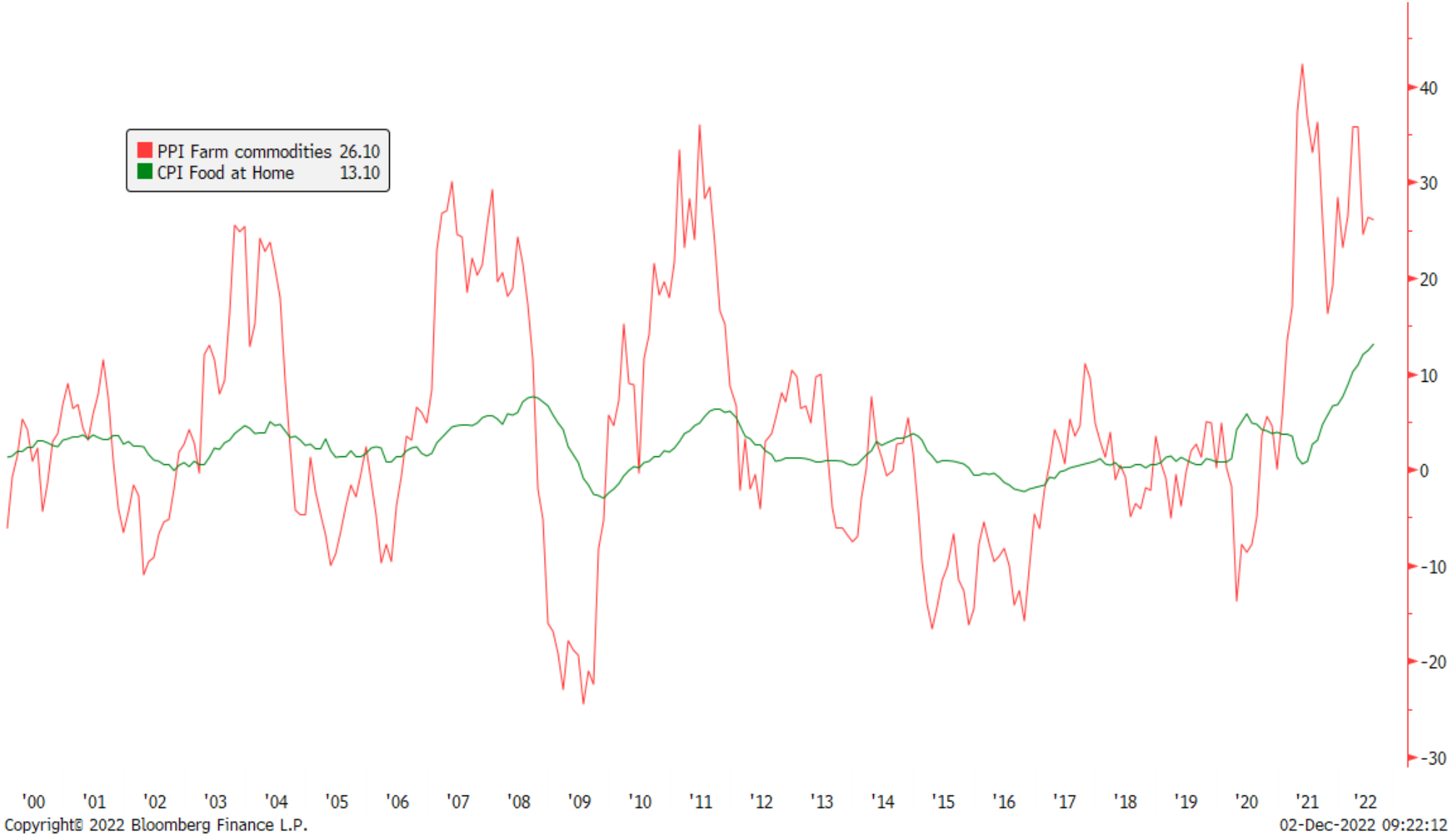
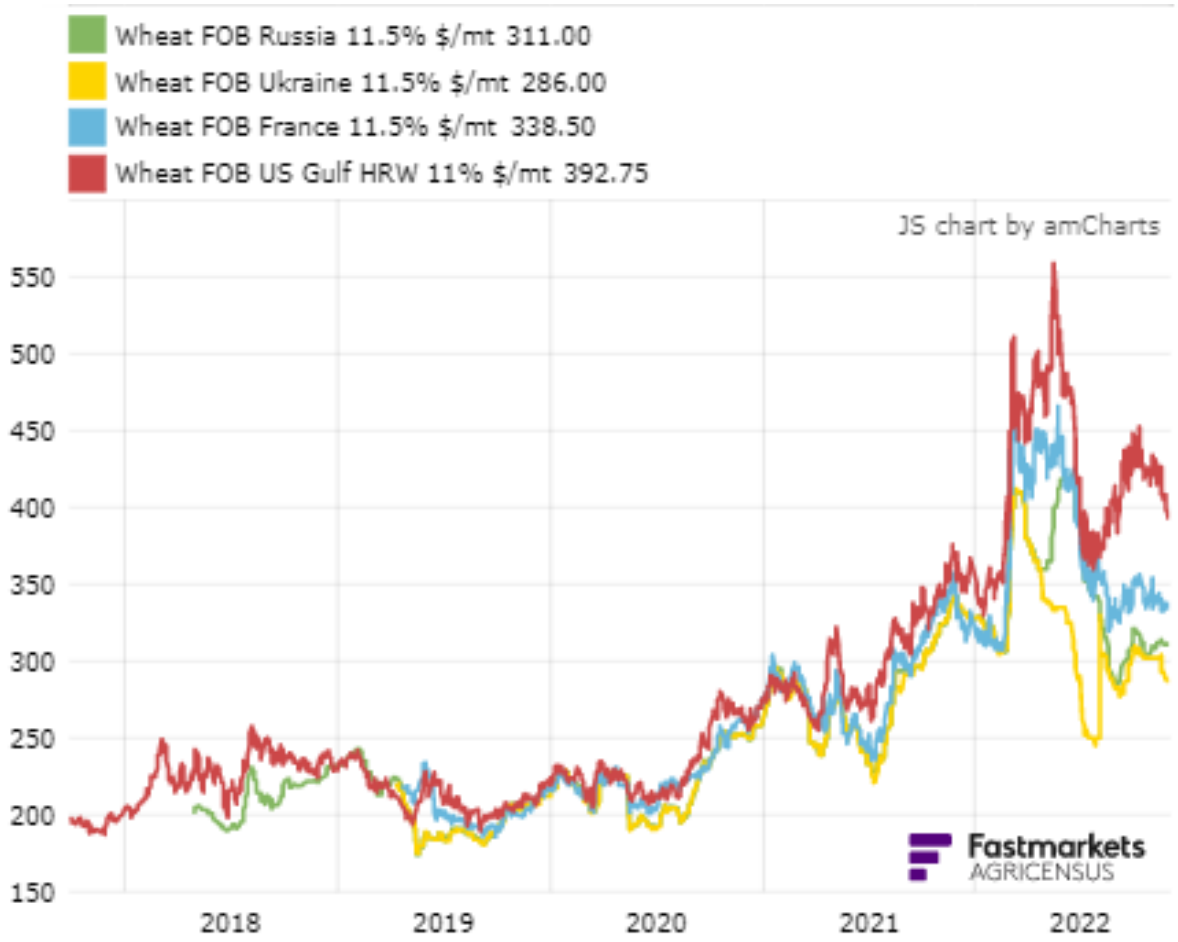


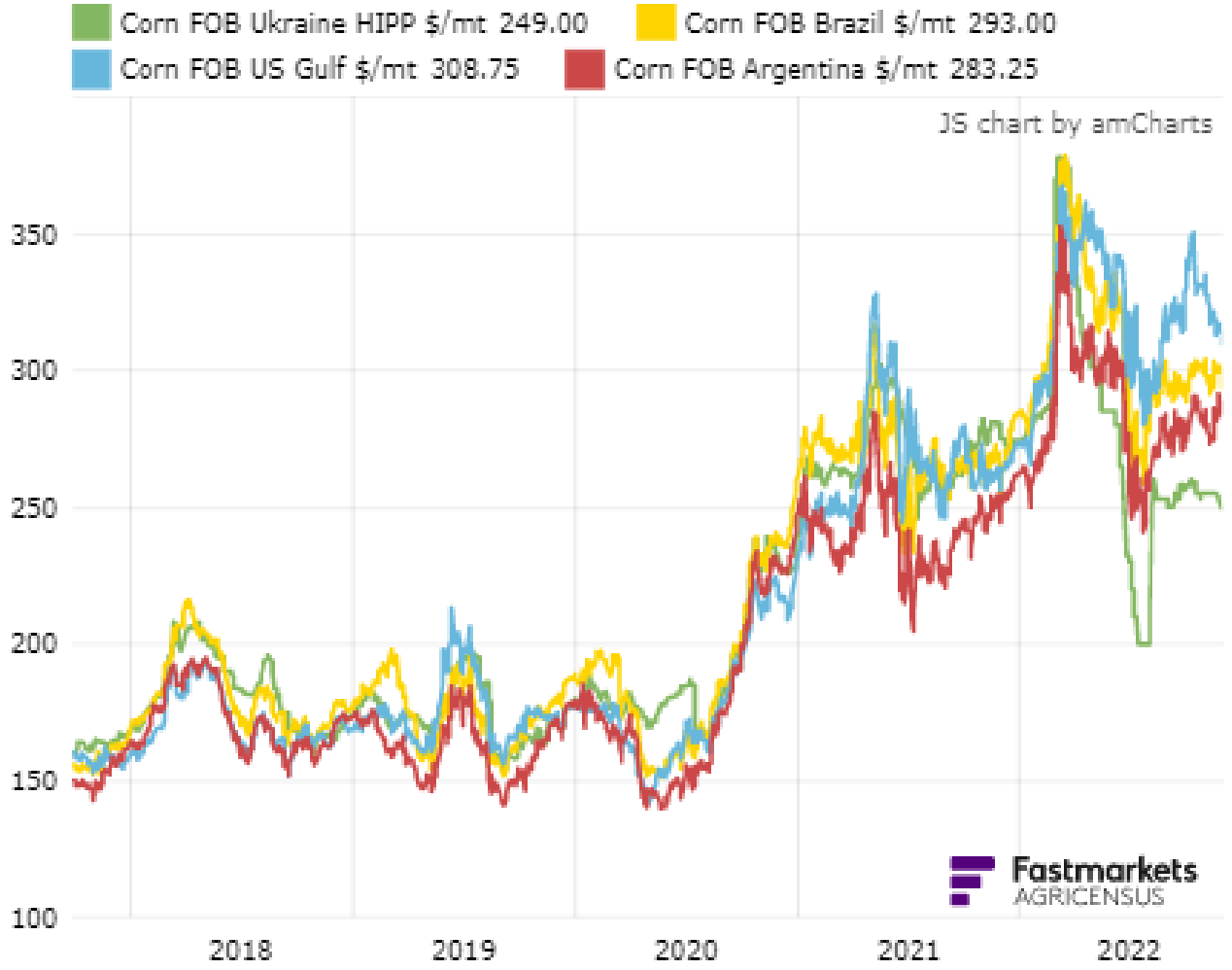
Figure 1. Relationship between potential oil yields based on the percentage of FFB at the ripening level and storage time of FFB.

Farmgate prices are far more volatile than food

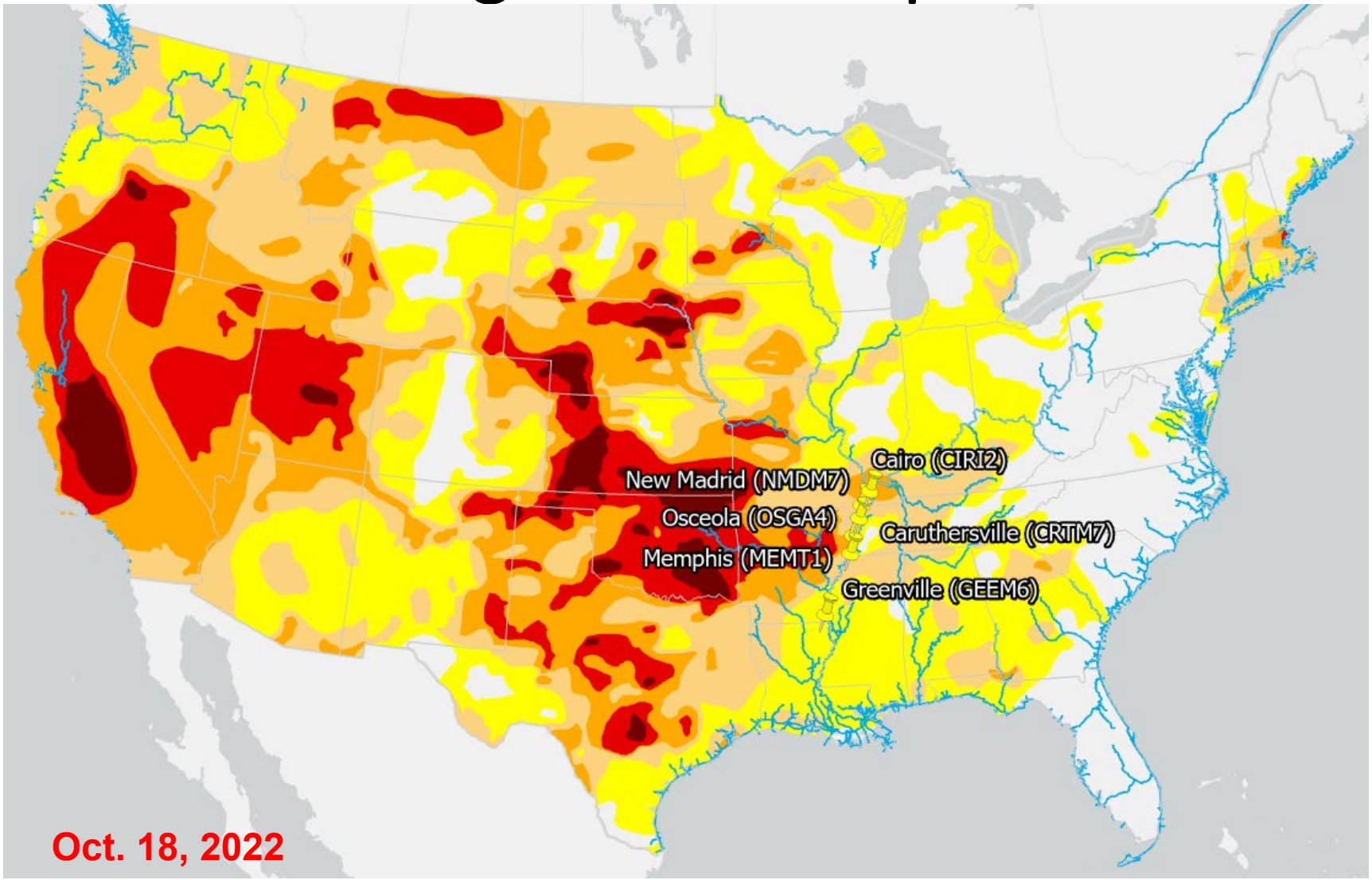
Farmgate prices vs food retail prices, y-o-y %



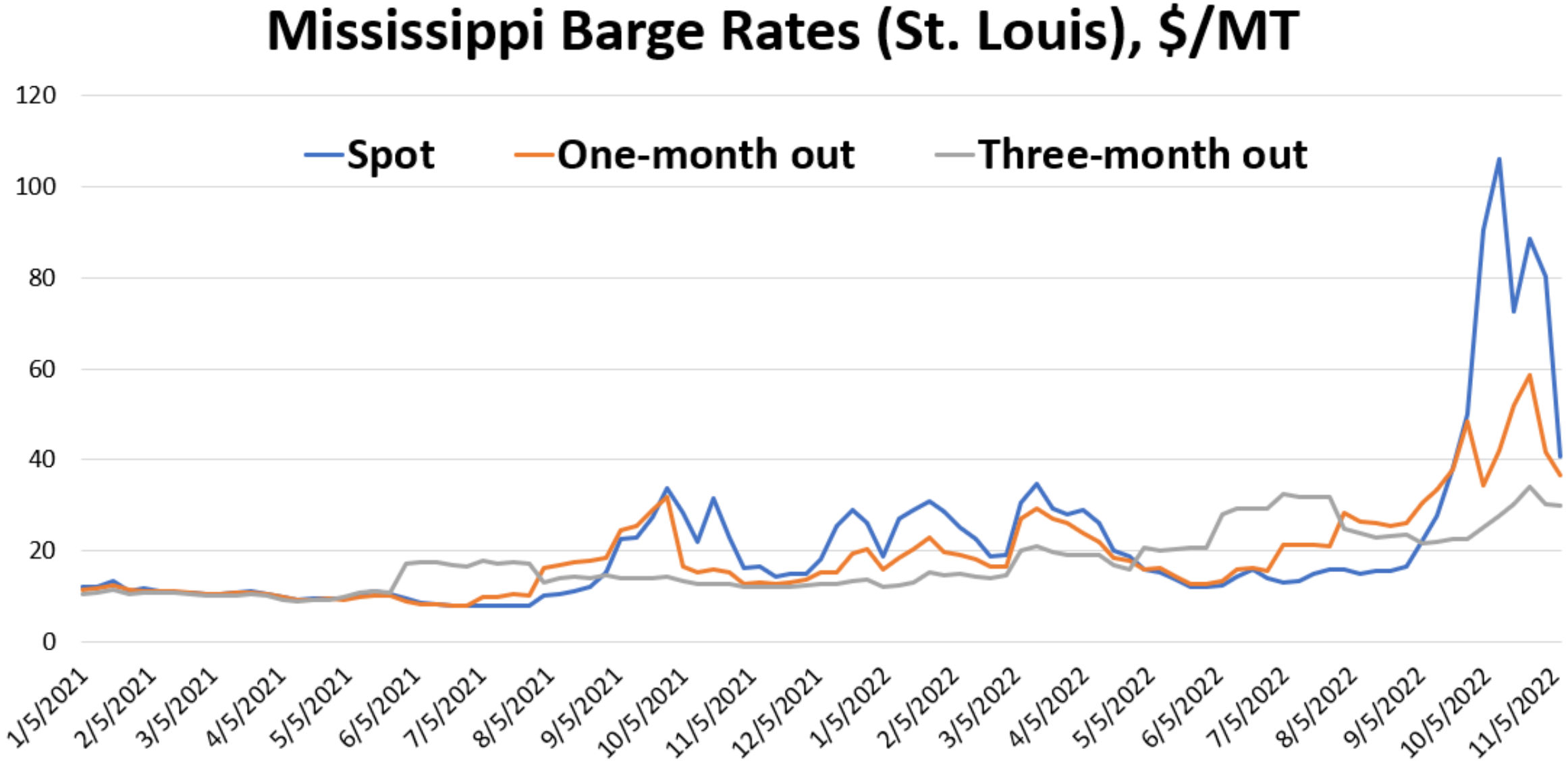

Wheat FOB Russia 11.5% $/mt 311.00
Wheat FOB Ukraine 11.5% $/mt 286.00
Wheat FOB France 11.5% $/mt 338.50
Wheat FOB US Gulf HRW 11% $/mt 392.75
JS chart by amCharts
550
500
450
400
350
300
250
200
150
2018
2019
2020
2021
2022
Fastmarkets
AGRICENSUS


Corn FOB Ukraine HIPP $/mt 249.00
Corn FOB Brazil $/mt 293.00
Corn FOB US Gulf $/mt 308.75
Corn FOB Argentina $/mt 283.25
JS chart by amCharts
350
300
250
200
150
100
2018
2019
2020
2021
2022
Fastmarkets
AGRICENSUS

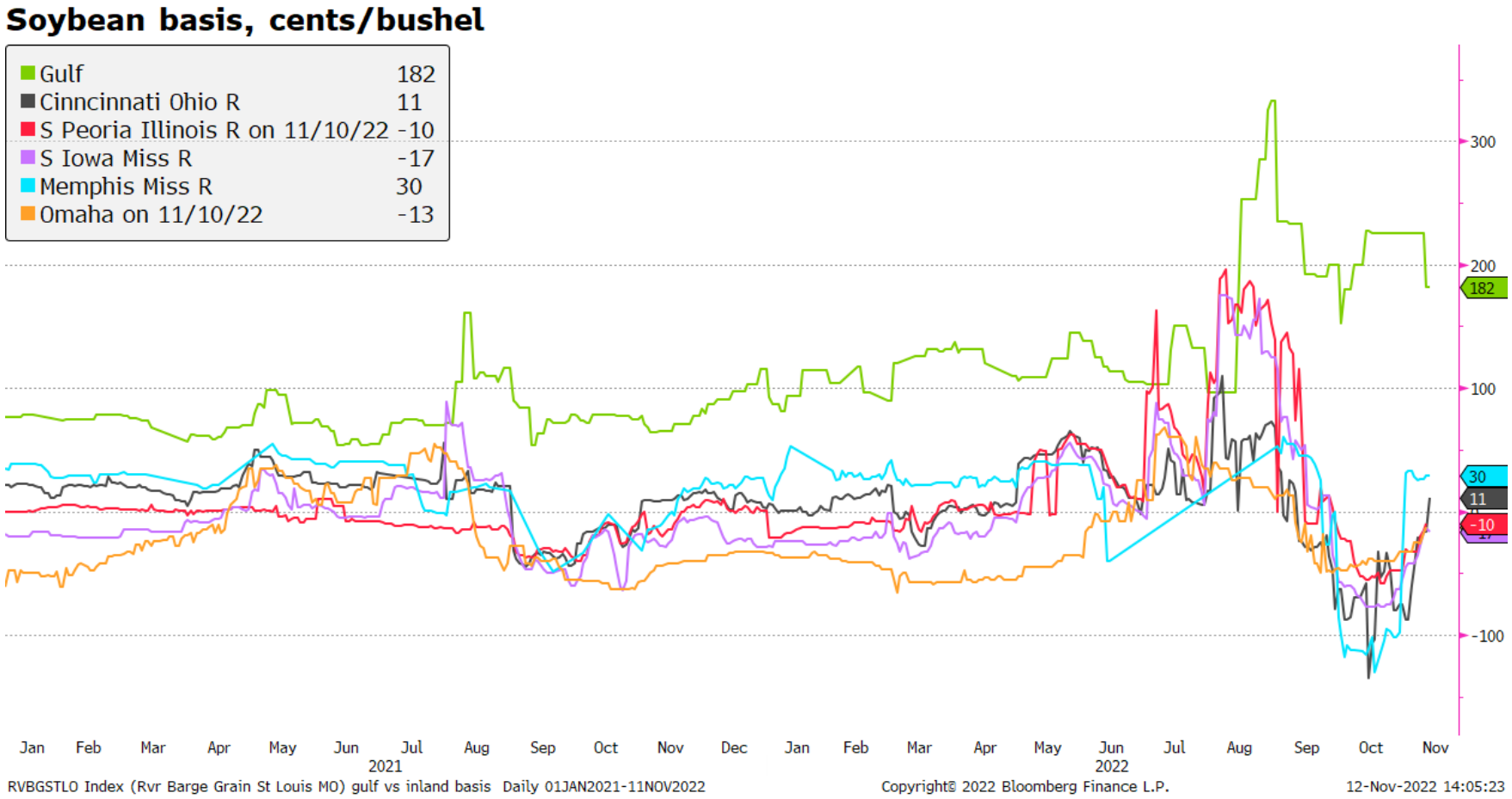
Record Low Water Levels Along the Mississippi, A key route for US agricultural exports



Mississippi Barge rates have pulled back last week from record highs



Soybean basis in interior markets have deteriorated; gulf basis premiums surge

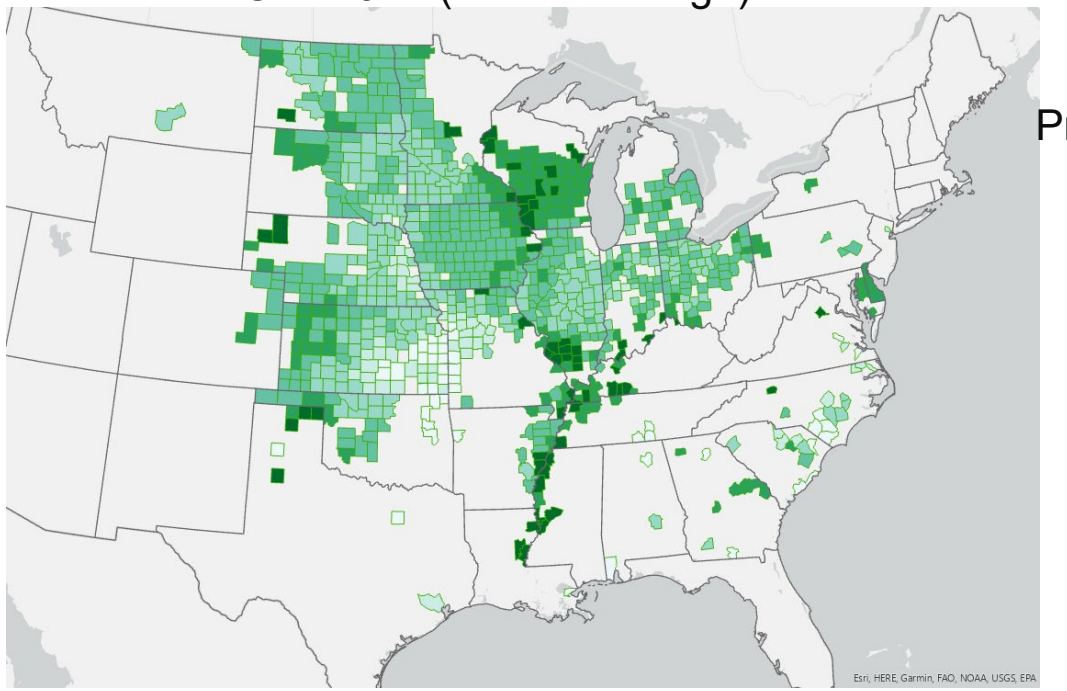


Basis = average soybean price – Gulf export price, cents/bu

Interior soybean prices suffering severe discount relative to Gulf; however, basis has improved through November

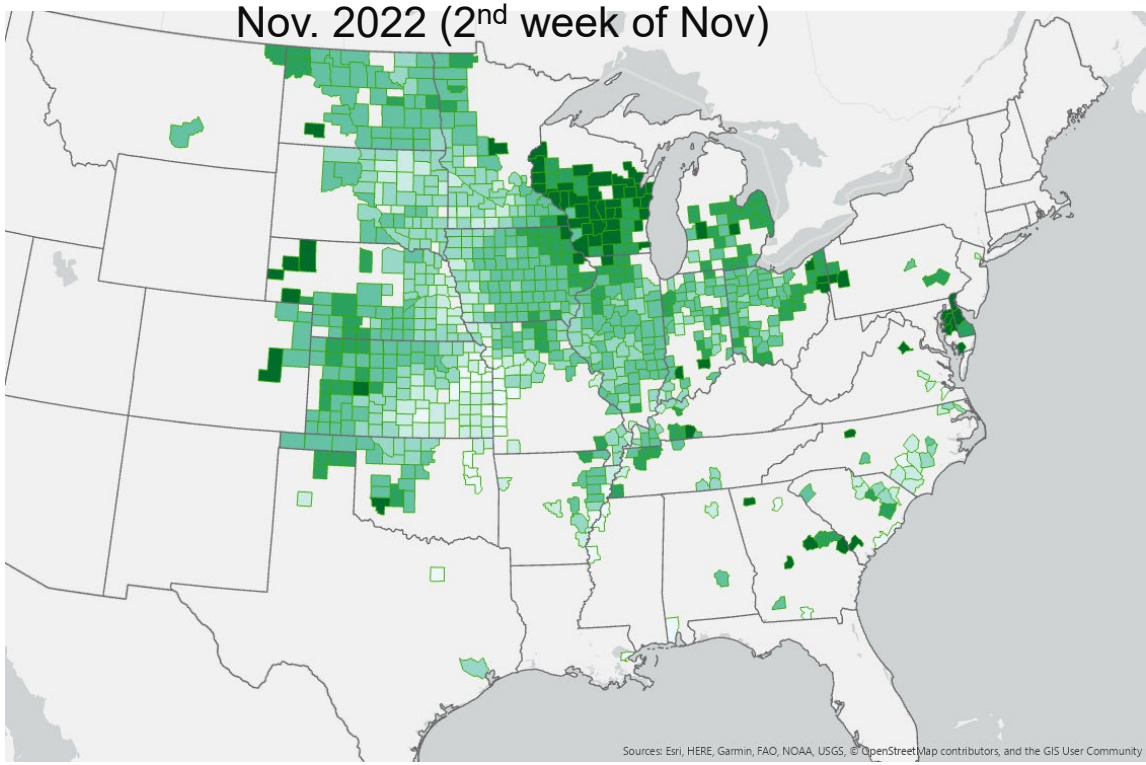
Difference between Gulf Price and Inland Price

Oct. 2022 (month average)

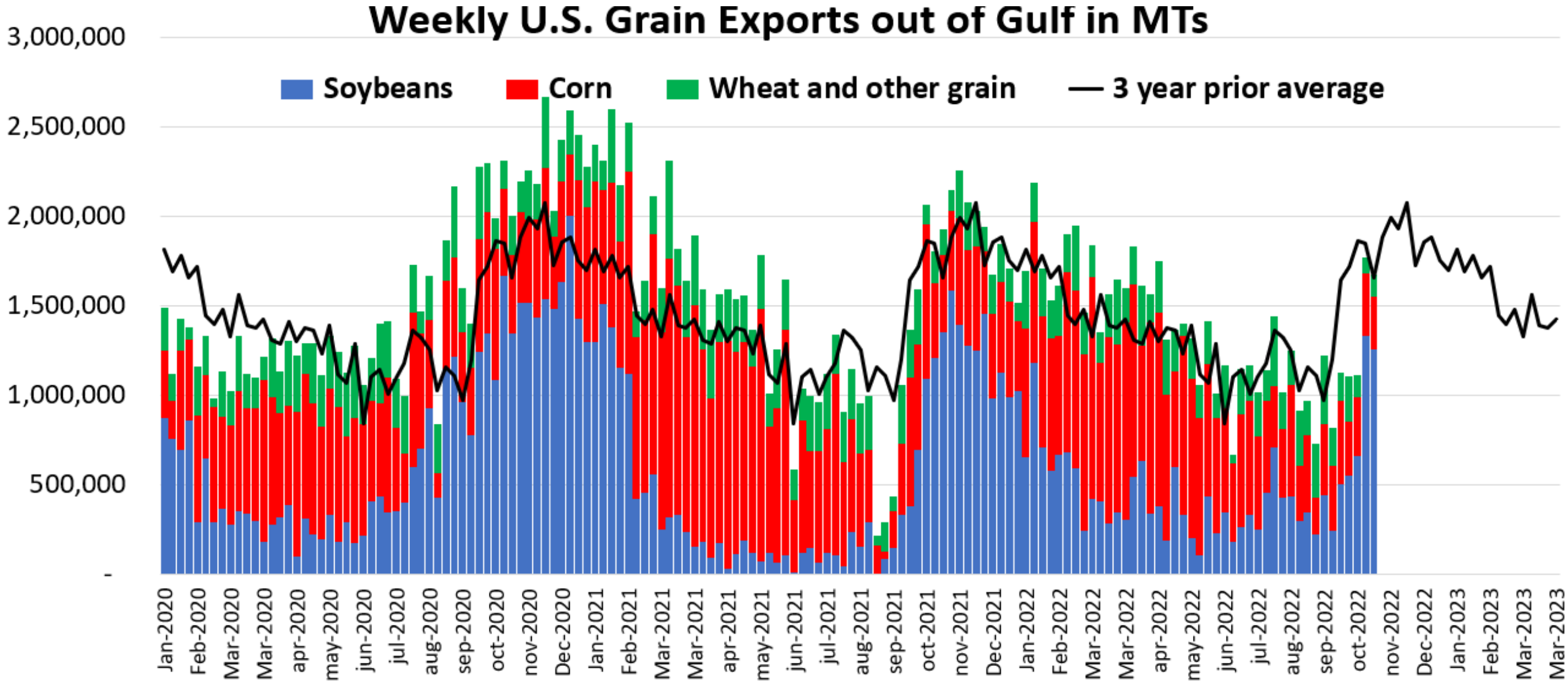


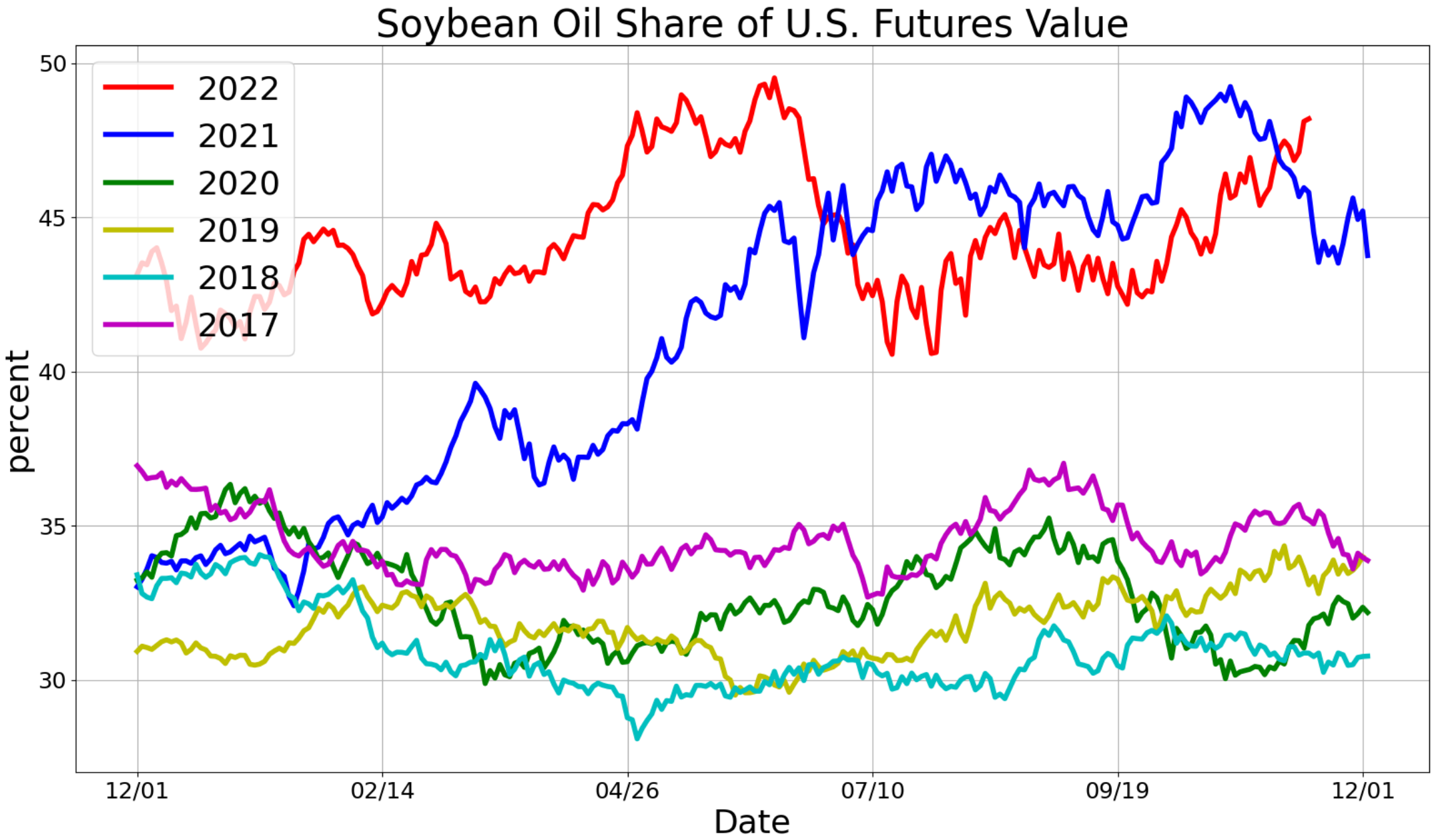
Soybean
Price difference
(cents)

Nov. 2022 (2nd week of Nov)

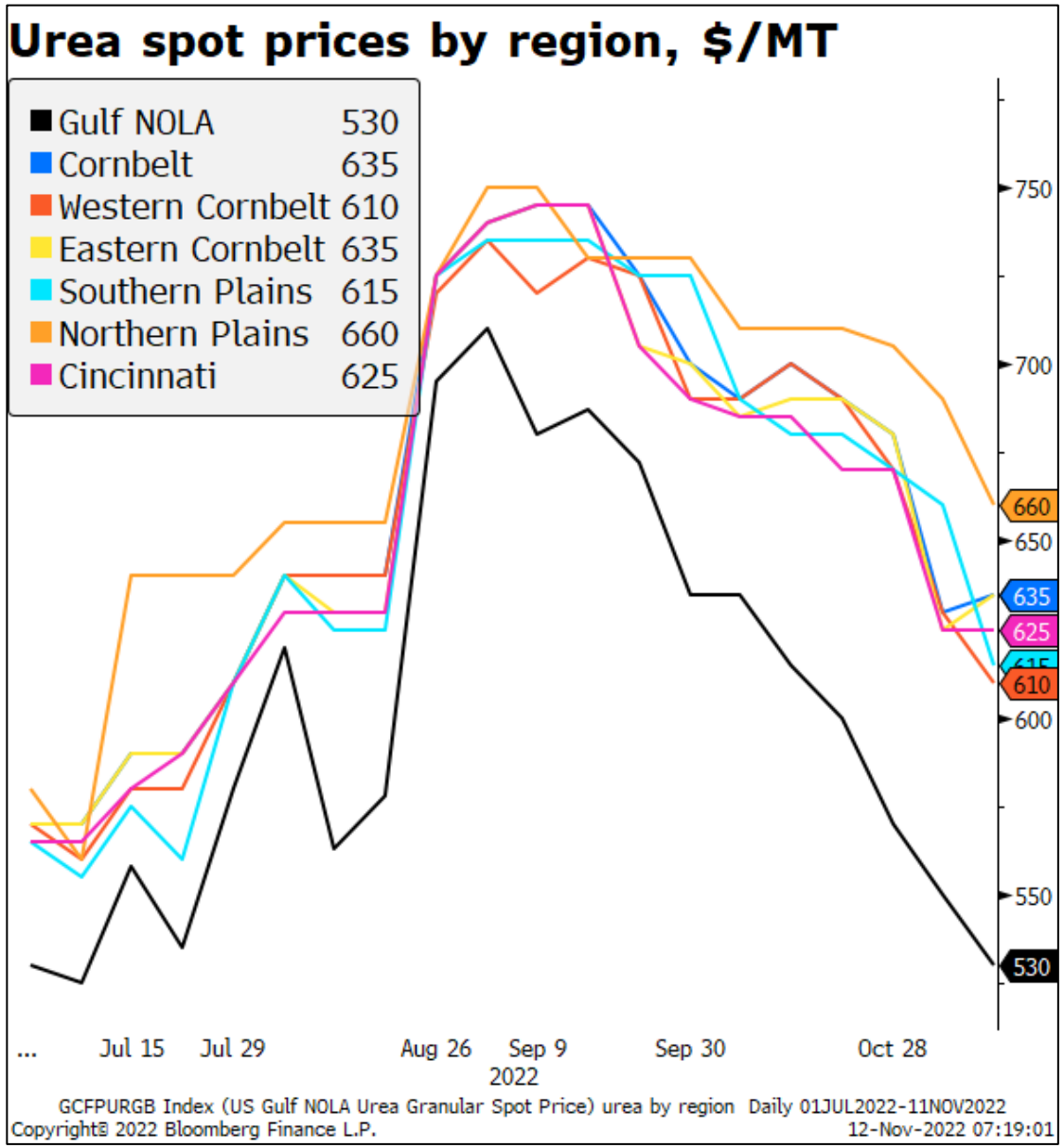


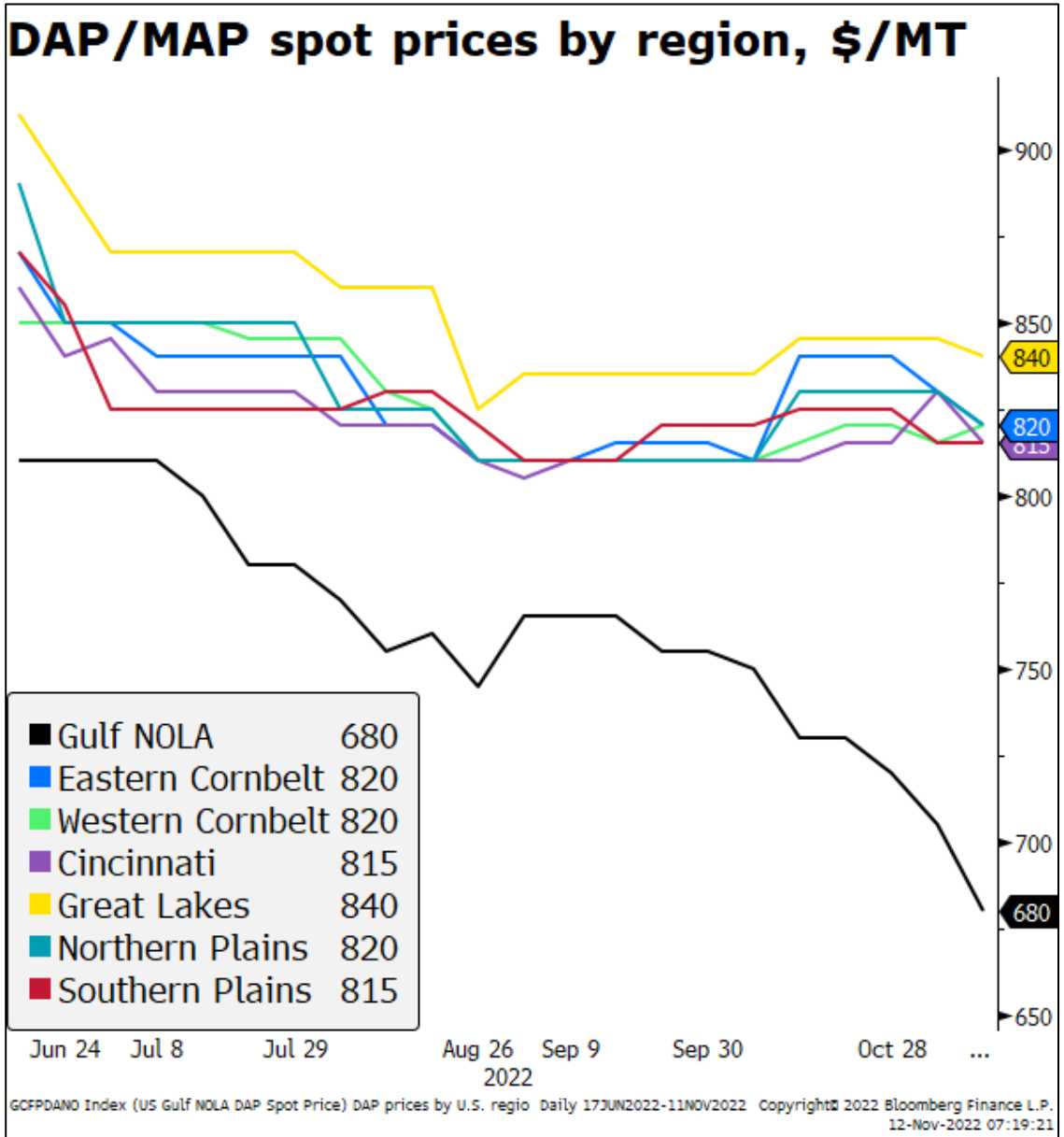
Slower pace of grain exports shipped out the gulf; critical time of year for soybean shipments



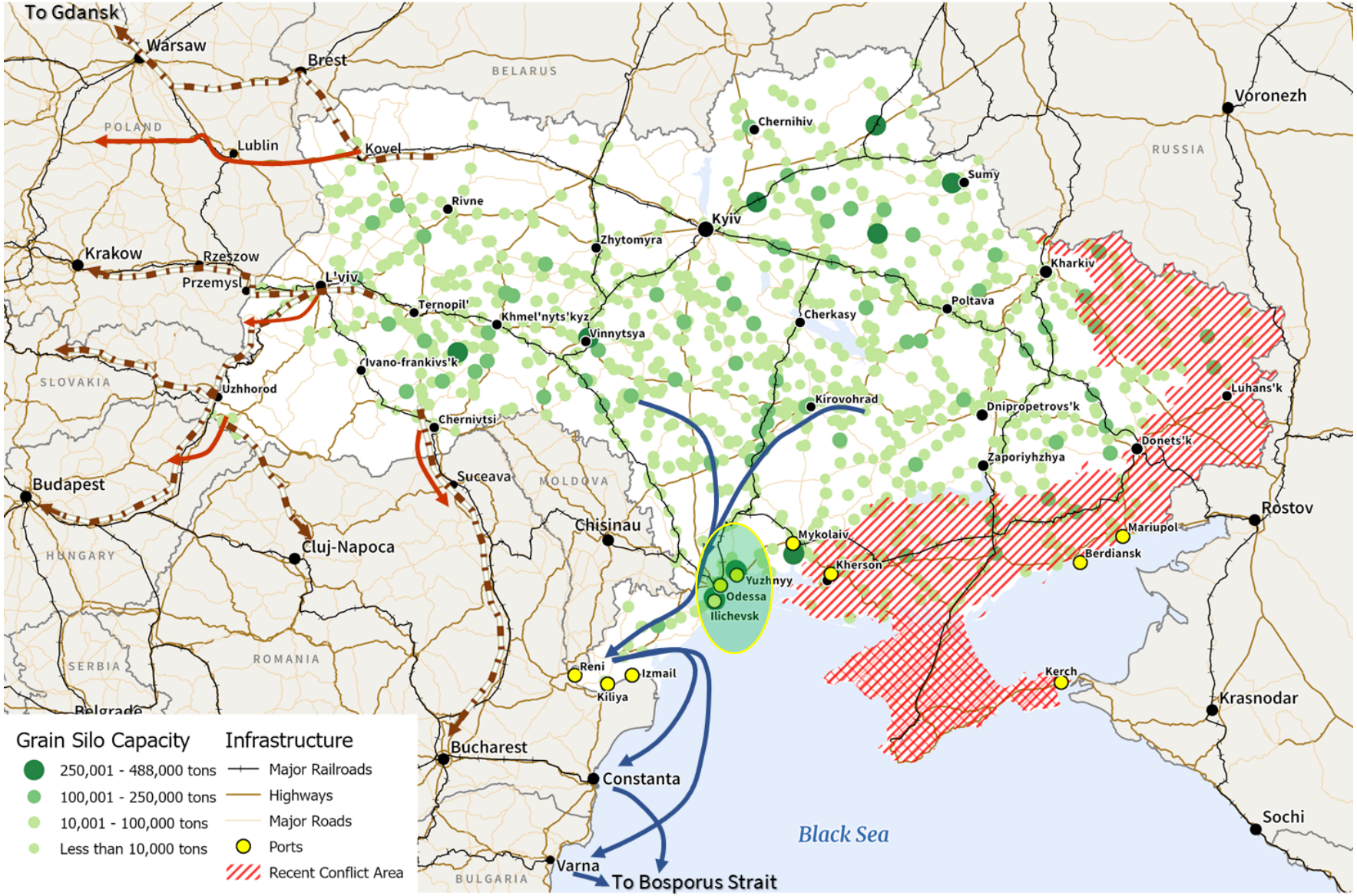

Soybean Oil Share of U.S. Futures Value
2022
2021
2020
2019
2018
2017
50
45
40
35
30
percent
12/01
02/14
04/26
07/10
09/19
12/01
Date

Inland fertilizer prices selling at a widening premium relative to gulf





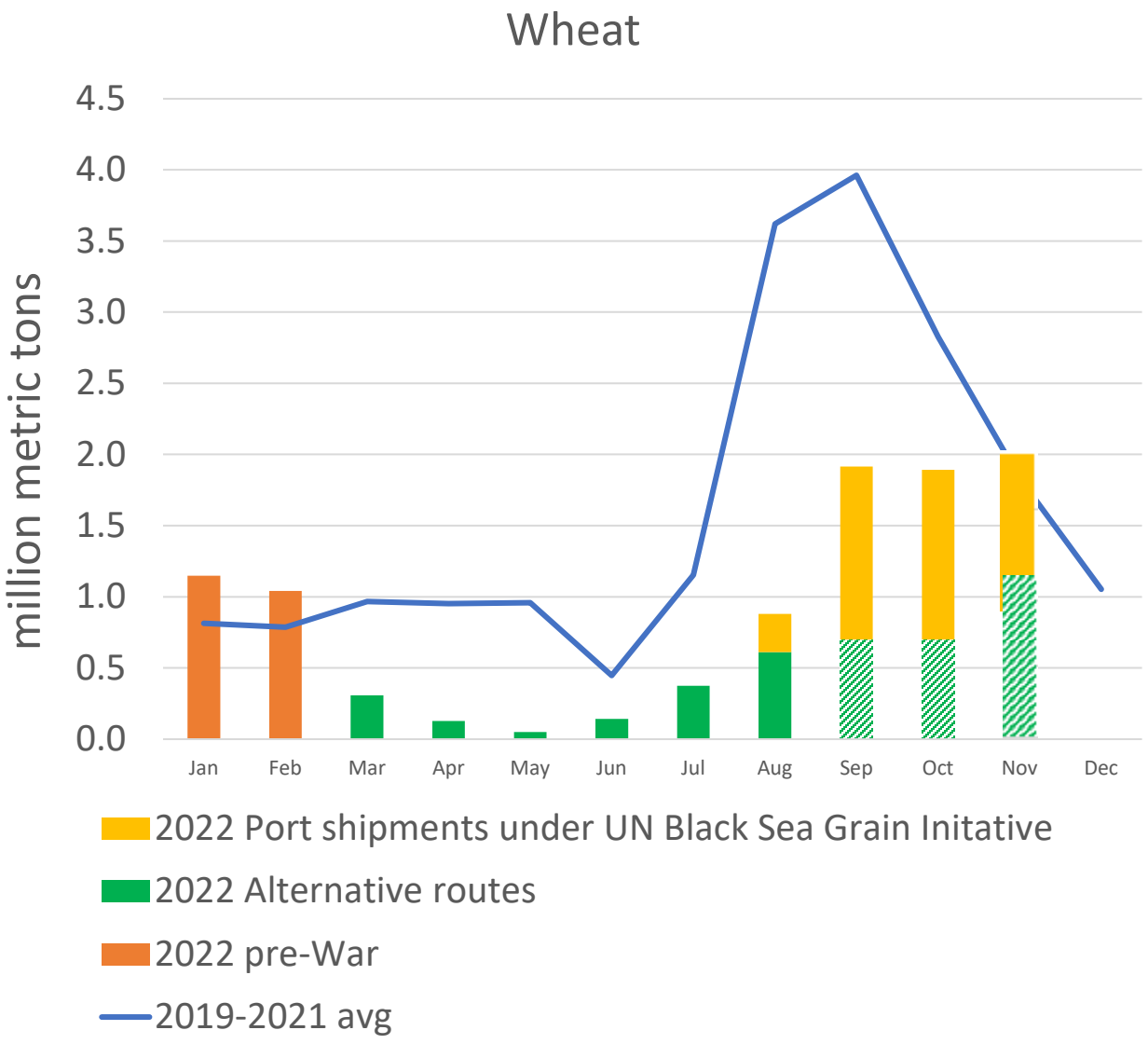
Ukraine: Export Routes for Agricultural Products

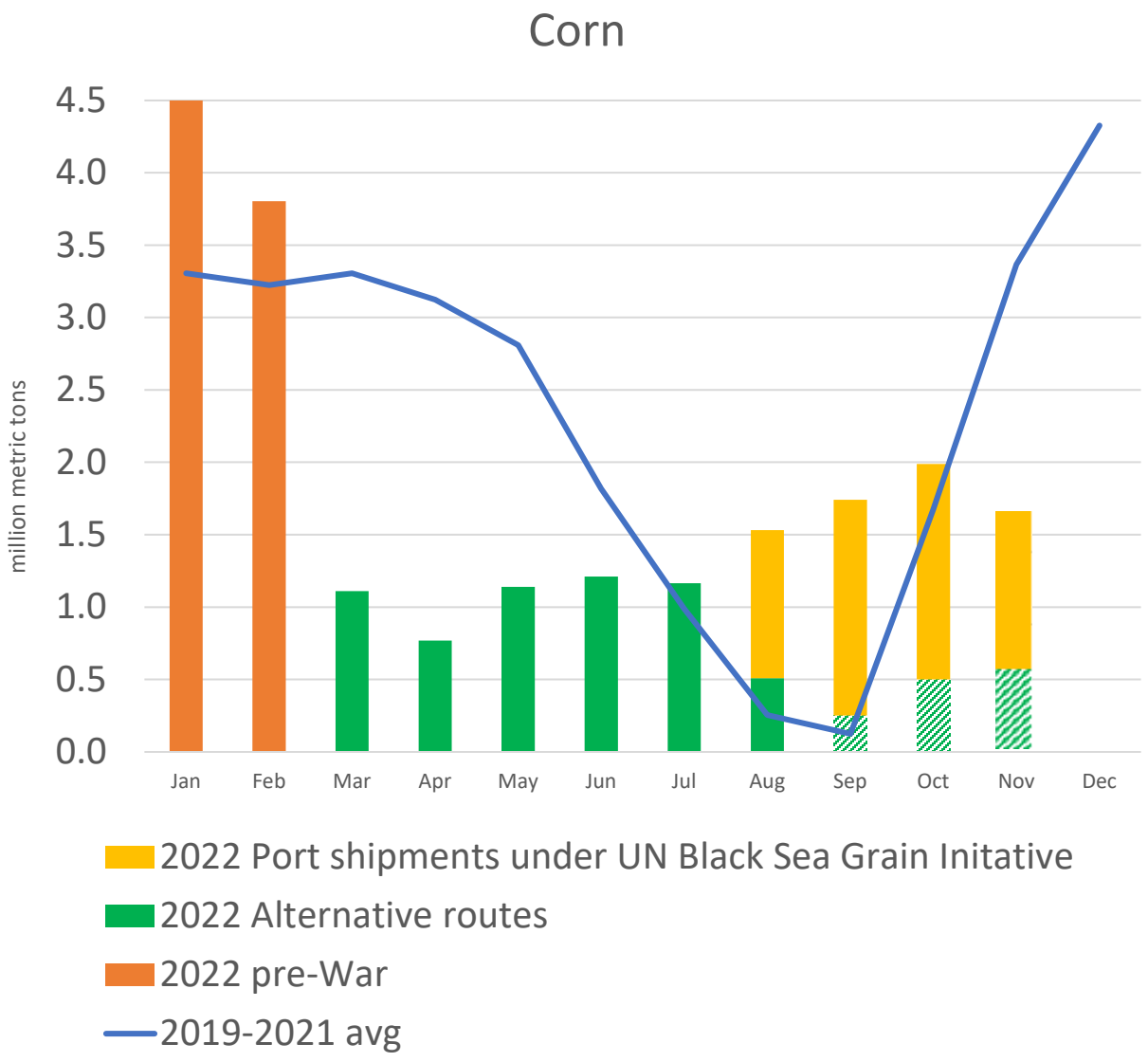


USDA Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

*Conflict areas are approximate, updated as of 06/02/2022. **Estimates based on ±15 km buffer from conflict zones. Sources: MinAg Ukraine, Institute for the Study of War, Elevatorist.com, ESRI, NACIS, Lloyd's List

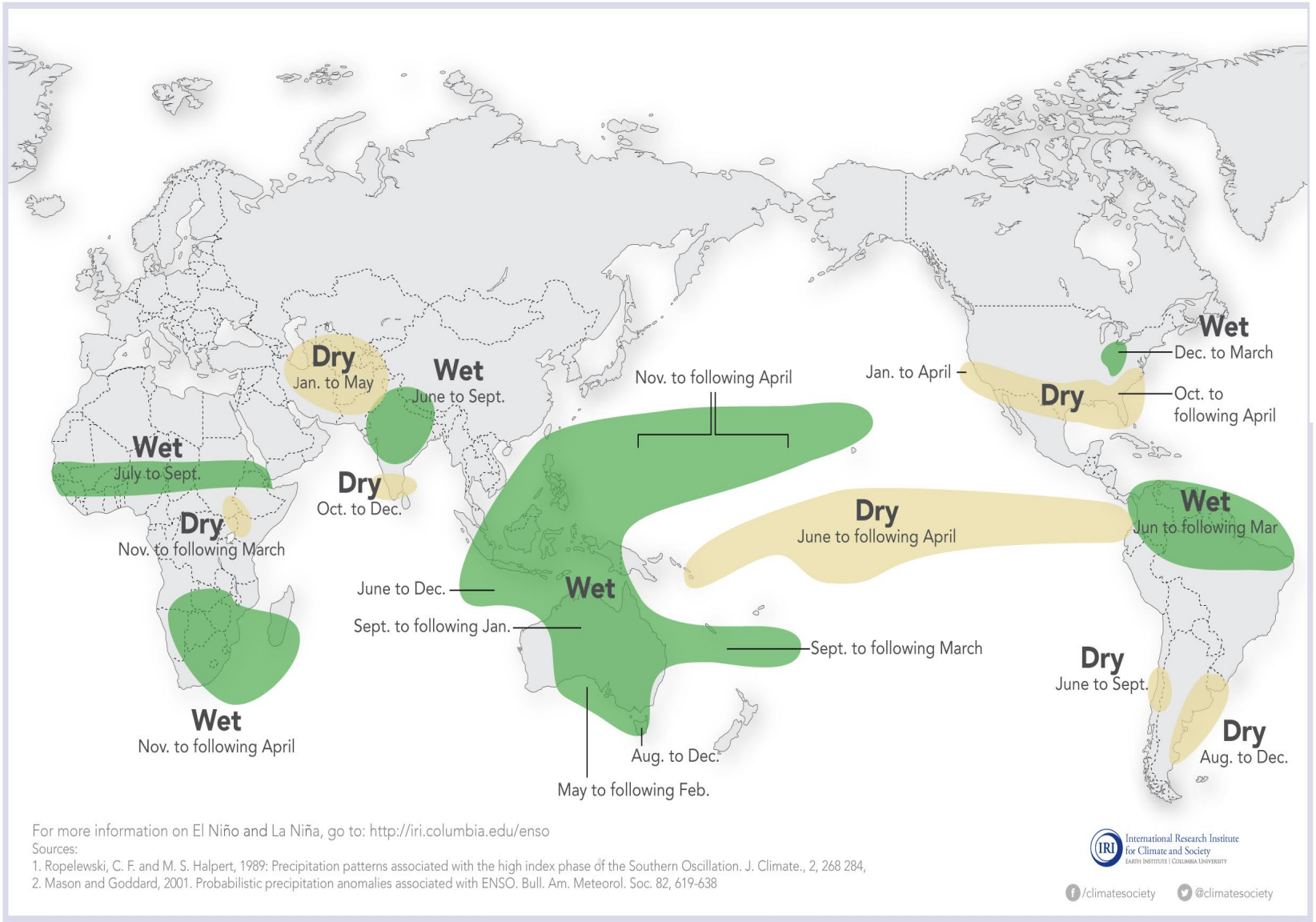
Ukraine pace of exports

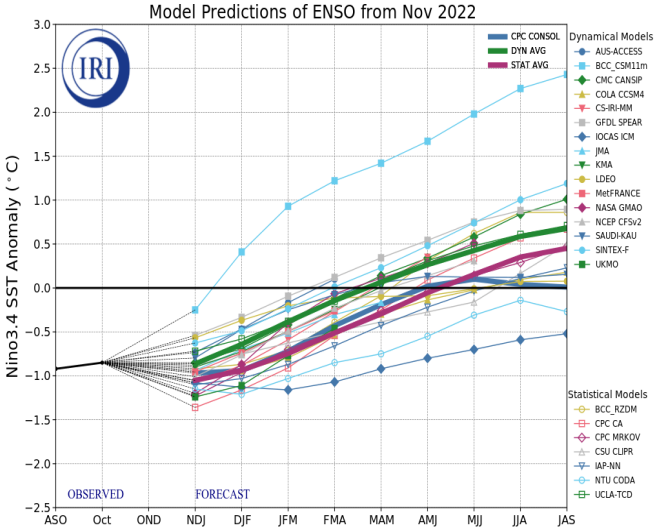




La Niña and Rainfall

La Niña conditions in the tropical Pacific are known to shift rainfall patterns in many different parts of the world. Although they vary somewhat from one La Niña to the next, the strongest shifts remain fairly consistent in the regions and seasons shown on the map below.

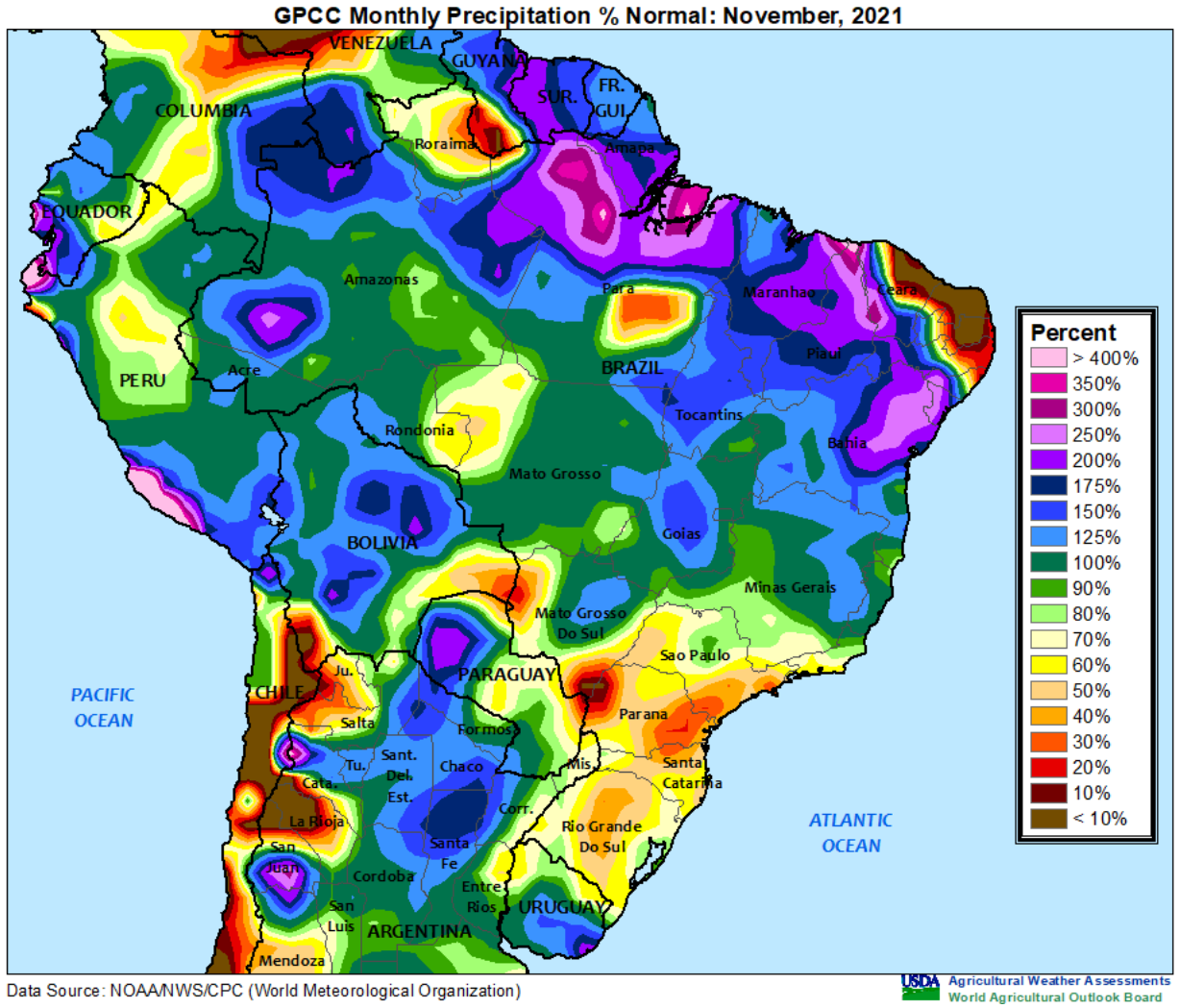




Prior 3-Year La Niñas:
1998-2001
1973-1976

LAST YEAR: Percent of Normal Precipitation (%)

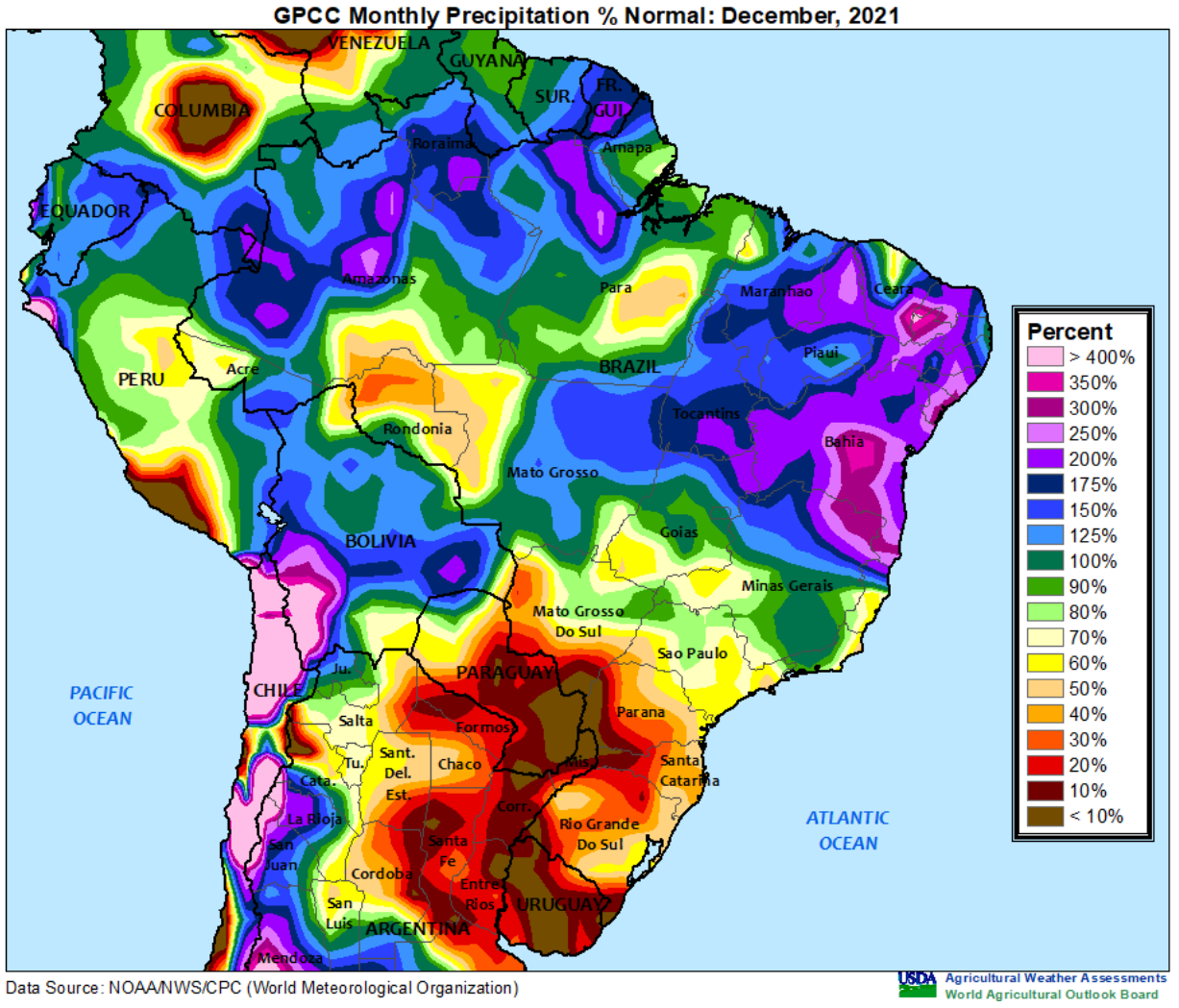
November 2021



Data Source: NOAA/NWS/CPC (World Meteorological Organization)

USDA Agricultural Weather Assessments
World Agricultural Outlook Board

December 2021

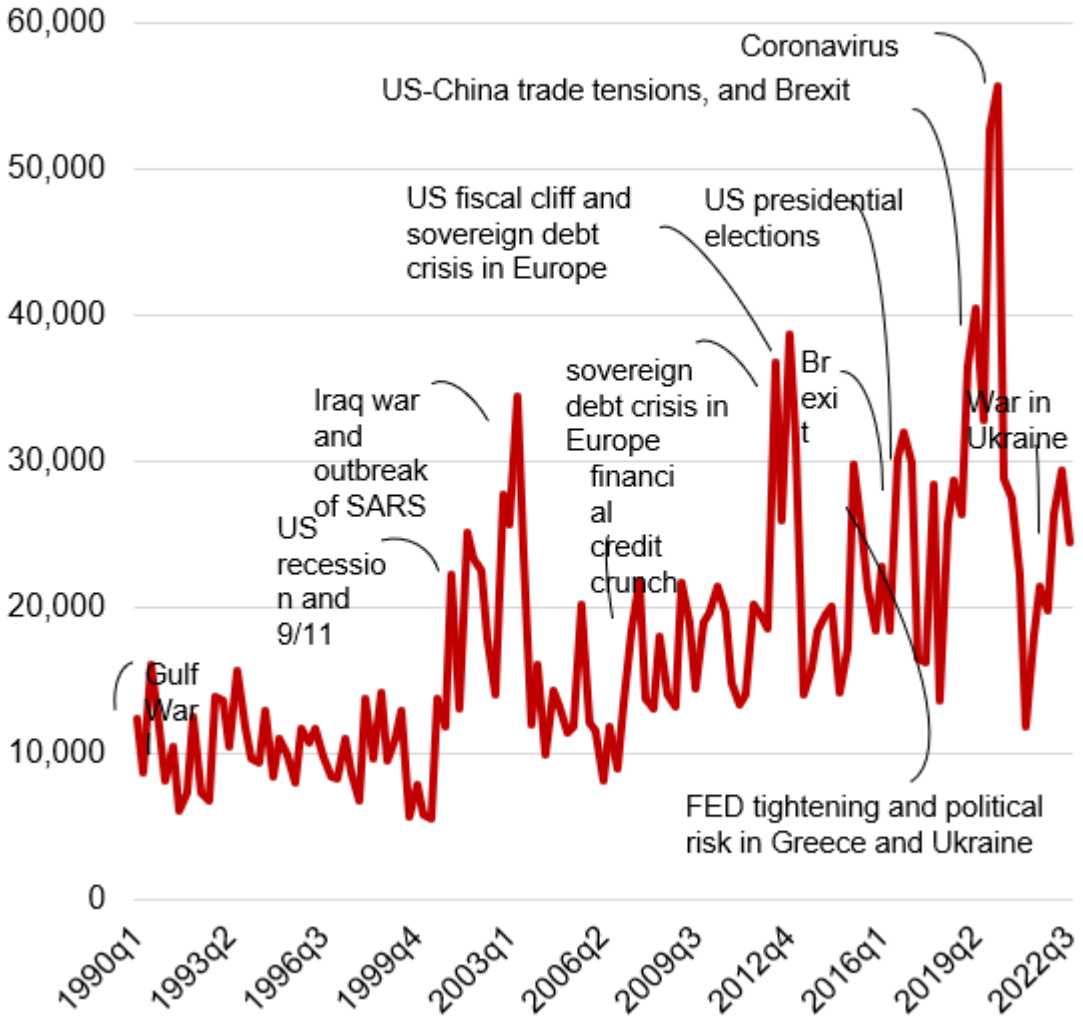


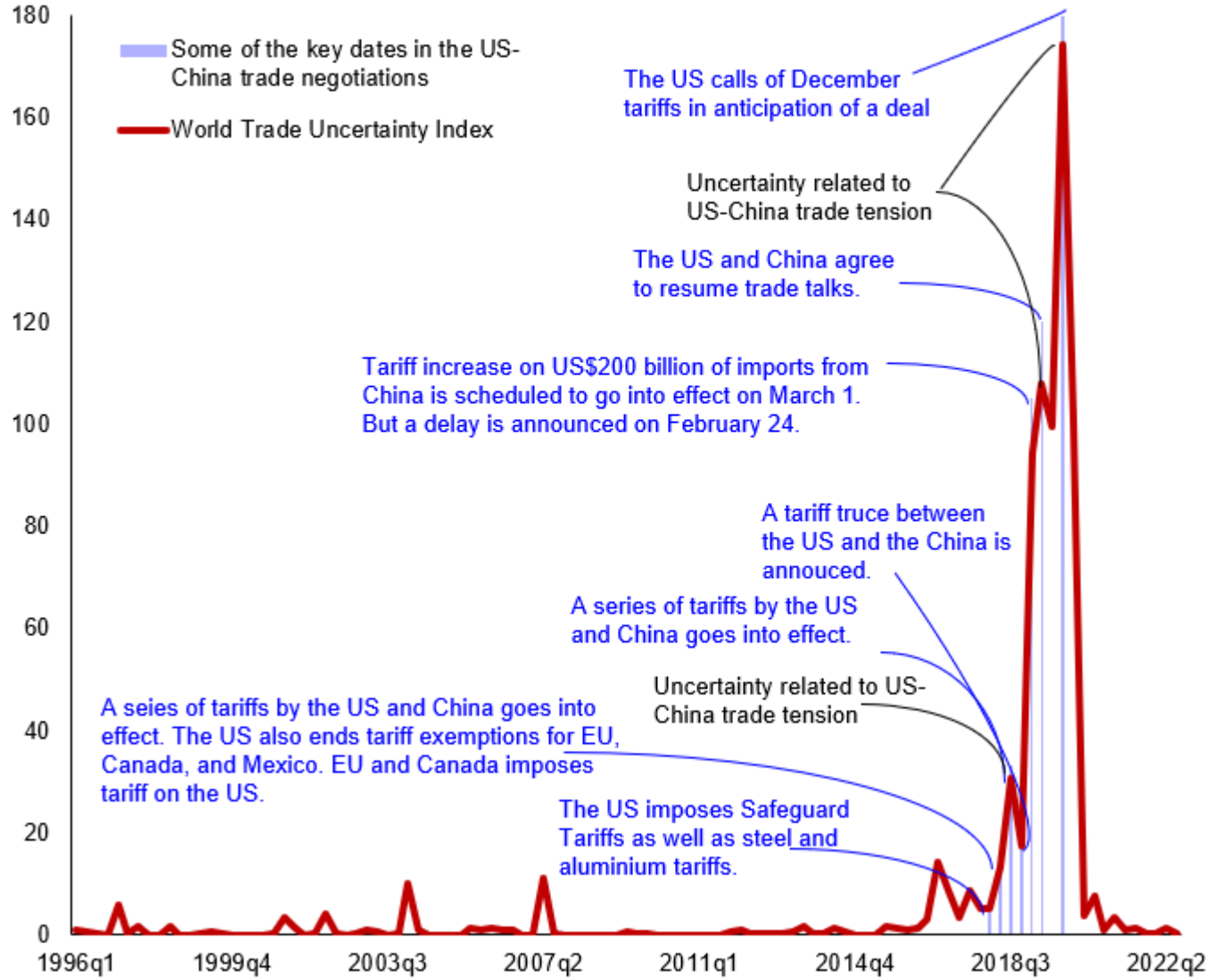
Data Source: NOAA/NWS/CPC (World Meteorological Organization)

USDA Agricultural Weather Assessments
World Agricultural Outlook Board

Uncertainty, World economy and Trade

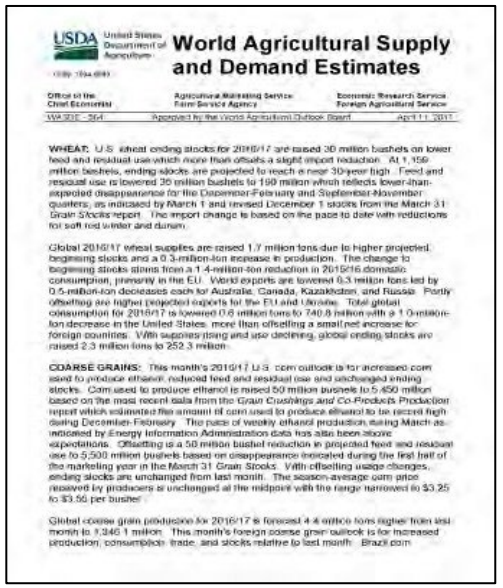
Ahir, H, N Bloom, and D Furceri (2022), "World Uncertainty Index", NBER Working Paper.

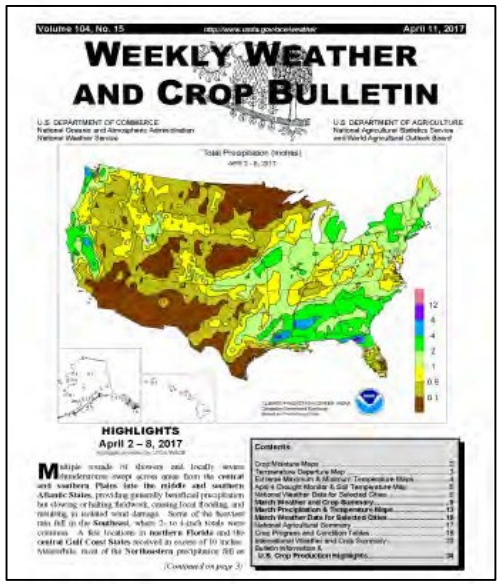




United States Department of Agriculture
National Agricultural Statistics Service

agcounts.usda.gov





So where are we at?

- Global balance sheets for corn and wheat are likely to remain tight through 2022/23.
- Rice markets have more recently been drawn into the volatility
- While global soybean stocks are likely to increase (with a 'normal' South American crop, US crush demand is robust
- With tight supplies, economic uncertainty, and a more dynamic war in Ukraine, output and input prices are experiencing volatility, making producer margins uncertain.